

FRANCHISE DISCLOSURE DOCUMENT



District Franchising, LLC
a Virginia limited liability company
2890 Emma Lee St., Suite 200
Falls Church, Virginia 22042
703-560-0369
franchise@districttaco.com
www.districttaco.com

As a franchisee, you will own and operate a District Taco Restaurant featuring Yucatan-style Mexican and Latin food and other menu items prepared according to our specified recipes and procedures. The total investment necessary to begin operation of a District Taco franchise is \$733,750 to \$1,457,750. This includes \$31,000 to \$33,500 that must be paid to the franchisor or an affiliate, including but not limited to, the initial Franchise Fee. To establish one or more District Taco Restaurants, you must enter into a Development Agreement with us. We typically expect the Development Agreement to cover between 1 and 10 District Taco Restaurants. The total investment necessary to begin operation under a Development Agreement is \$60,000 to \$550,000. This includes \$50,000 (for 1 District Taco Restaurant) to \$500,000 (for 10 District Taco Restaurants) that must be paid to the franchisor or an affiliate.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats contact Chris Medhurst, our Chief Operating Officer, at 2890 Emma Lee St., Suite 200, Falls Church, Virginia, (703) 560-0369.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. Information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date of this Franchise Disclosure Document: April 22, 2024

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E and F .
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only District Taco Restaurant business in my area?	Item 12 and the “territory” provisions in the Franchise Agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a District Taco Restaurant franchisee?	Item 20 or Exhibits E and F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The Franchise Agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The Franchise Agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your Franchise Agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The Franchise Agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in **Exhibit A**.

Your state also may have laws that require special disclosures or amendments be made to your Franchise Agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The Franchise Agreement and Development Agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in Virginia. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Virginia than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of investment.
3. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a system with a longer operating history.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), do not reflect any operating history. Thus, there is no demonstrated indication of the franchisor's financial ability to provide services and support to its franchisees.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

- (a) A prohibition on the right of a franchisee to join an association of franchises.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Katharyn Barron
Michigan Department of Attorney General
525 W. Ottawa Street, 1st Floor
Lansing, Michigan 48933
(517) 335-7567

TABLE OF CONTENTS

ITEM	PAGE
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE	3
ITEM 3 LITIGATION	3
ITEM 4 BANKRUPTCY	4
ITEM 5 INITIAL FEES	4
ITEM 6 OTHER FEES	5
ITEM 7 ESTIMATED INITIAL INVESTMENT	10
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	15
ITEM 9 FRANCHISEE’S OBLIGATIONS	19
ITEM 10 FINANCING	21
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	21
ITEM 12 TERRITORY	34
ITEM 13 TRADEMARKS.....	38
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	40
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	42
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	43
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	44
ITEM 18 PUBLIC FIGURES.....	48
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	48
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....	51
ITEM 21 FINANCIAL STATEMENTS.....	54
ITEM 22 CONTRACTS	54
ITEM 23 RECEIPT	55

Exhibits

- A List of State Agencies/Agents for Service of Process
- B Franchise Agreement
- C Development Agreement
- D DT Manual Table of Contents
- E List of Franchisees
- F List of Franchisees Who Have Left the System
- G Financial Statements
- H Release Signed on Renewal/Transfer
- I Additional Disclosures and Riders Required by State Franchise Laws

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

Us and Our Related Companies

To simplify the language in this disclosure document, “we” or “us” means District Franchising, LLC, the franchisor. “You” means the person or entity that acquires the franchise. If you are a corporation, limited liability company or other entity, your owners must sign the Guaranty attached to the “**Franchise Agreement**” (Exhibit B), which means that all or some of the provisions of the Franchise Agreement also will apply to your owners.

We are a limited liability company organized in Virginia on August 4, 2020. We do business under the name District Taco®. We have offered franchises since January 22, 2021. We have never operated District Taco Restaurants or offered franchises in any other line of business, but our related companies and their principals have operated District Taco Restaurants since November 2010 and District Taco food carts since August 2009. We have no other business activities except those described here. Our principal business address is at 2890 Emma Lee St., Suite 200, Falls Church, Virginia 22042. If we have an agent for service of process in your state, we disclose that agent in Exhibit A.

We have no predecessors. Our parent company is District Brands, Inc., a Delaware corporation formed on November 20, 2015 (our “**Parent**”) whose principal business address is the same as our address. Our Parent previously operated under the name District Taco, Inc.

Our affiliate, District Taco, LLC (“**DTL**”), is a Virginia limited liability company formed on July 13, 2009. DTL’s principal business address is the same as our address. DTL has operated District Taco Restaurants since 2009. DTL has never offered franchises in any line of business.

Our affiliate, District Foods LLC (“**DFL**”), is a Virginia limited liability company formed on November 9, 2020. DFL’s principal business address is the same as our address. DFL will sell salsas, marinated meats, and other items to franchisees and may be the only approved supplier of those products. DFL has never operated a District Taco Restaurant or offered franchises in any line of business. We have no other affiliates who offer franchises in any line of business or provide products or services to our franchisees.

Our affiliate, District Innovations, LLC (“**DIL**”), is a Delaware limited liability company formed on February 13, 2024. DIL’s principal business address is the same as our address. DIL will license proprietary restaurant technology solutions.

Franchise Opportunity

We grant franchises for restaurants featuring Yucatan-style Mexican and Latin food and other menu items which are primarily identified by the Marks (defined below) and use the Franchise System (defined below) (collectively, “**District Taco Restaurants**”). District Taco Restaurants operate under certain trademarks, service marks, and other commercial symbols, including “**DISTRICT TACO**,” and we may periodically create, use and license or sublicense other trademarks, service marks and commercial symbols for use in operating District Taco Restaurants, all of which

we may periodically modify (collectively, the “**Marks**”). “**Franchise System**” means our business system, business formats, product preparation techniques and processes, methods, procedures, signs, music, designs, layouts, trade dress, standards, specifications and Marks, all of which we may improve, further develop and otherwise modify periodically.

In this disclosure document, we call the District Taco Restaurant that you will operate under the Franchise Agreement your “**DT Restaurant**.” You must operate your DT Restaurant from a site we accept (the “**Site**”). You must operate your Restaurant according to the operating manual and/or other manuals (collectively, the “**DT Manual**”). The DT Manual contains mandatory and suggested specifications, standards, operating procedures and rules that we periodically specify for developing and/or operating a District Taco Restaurant (“**DT Standards**”) and information on your other obligations under the Franchise Agreement. Your DT Restaurant will have a casual/fast casual restaurant theme and will offer a wide variety of Mexican and Latin food products, including tacos, burritos, bowls, salads, quesadillas, and other similar products. You must prepare the menu items according to our specified recipes and comply with the DT Standards.

At the same time as signing a Franchise Agreement, we and you will sign a “**Development Agreement**” (Exhibit C) under which you and/or any company of which you (together with any owner) own more than 50% of the ownership interests (a “**Controlled Affiliate**”) will sign Franchise Agreements for and develop a specified number of District Taco Restaurants to be located within a specifically described geographic territory (the “**Development Area**”). Before you sign the Development Agreement, we and you will agree to the Development Area, the number of District Taco Restaurants you must open in the Development Area, and the timeframe within which you must sign Franchise Agreements and open each District Taco Restaurant (the “**Development Schedule**”). We will grant District Taco Restaurant franchises under the Development Agreement only to you or your Controlled Affiliates, and franchises that we grant to your Controlled Affiliates will count toward your Development Schedule. You (or your Controlled Affiliates) will, for each District Taco Restaurant developed under the Development Agreement, sign our then-current form of Franchise Agreement, which currently is the Franchise Agreement included in this disclosure document but in the future could differ from the Franchise Agreement.

Market and Competition

The restaurant market is well developed and very competitive. Your DT Restaurant will offer food products to the general public. Sales are typically seasonal and increase in the spring and summer months. Your competitors include other restaurant businesses, particularly those offering similar Mexican and Latin food products, including tacos, burritos, bowls, salads, quesadillas and other similar products. Casual and fast-casual dining restaurant concepts compete on the basis of many factors, such as price, service, product quality, location, promotions and marketing programs.

Industry Regulations

Many federal, state and local laws govern the food service industry, including health, sanitation and safety regulations regarding food storage, preparation and menu labeling. State and local laws also heavily regulate the offer and sale of alcoholic beverages, including licensing requirements and dram shop laws. You must comply with these laws and other laws and

regulations that apply to businesses generally, such as those relating to site location and building construction like the Americans with Disabilities Act. You must also comply with all applicable laws, rules, and orders of any governmental authority concerning any pandemic or public health crisis, which may require businesses in the restaurant industry to materially modify, limit, or cease operations for an indeterminate period. You should consider these and other laws and regulations when evaluating your purchase of a franchise.

Item 2

BUSINESS EXPERIENCE

Co-Founder, Chief Executive Officer, and Board Member: Abelardo ‘Osiris’ Hoil

Mr. Hoil has been our Chief Executive Officer and a Member of our Board of Directors since August 2020 and our Parent’s President and Chief Executive Officer since November 2015. He has also been the Chief Executive Officer and Member of the Board of DTL since August 2010.

Co-Founder and Chairman of the Board: Marc Wallace

Mr. Wallace has been the Chairman of our Board of Directors since August 2020, the Chairman of DTL’s Board of Directors since August 2009, and our Parent’s Chairman and Secretary since November 2015. Mr. Wallace also serves as the Chief Executive Officer of Radius Networks, a location technology company focused on helping businesses locate, engage, and transact with their customers for order delivery, messaging, and tracking, in Washington, DC as he has since January 2012.

Board Member: Paul Cushman Robinson, Jr.

Mr. Robinson has been a Member of our Board of Directors since August 2020 and a Member of DTL’s Board of Directors since January 2016.

President, Chief Operating Officer and Board Member: Chris Medhurst

Mr. Medhurst has been our Chief Operating Officer since July 2021, DTL’s Chief Operating Officer since July 2021, and our Parent’s Chief Financial Officer since November 2015, President since November 2022, and a Member of our Board of Directors since November 2023. Before that, he served as our Chief Financial Officer from August 2020 to July 2021, our Parent’s Treasurer from November 2015 to November of 2022, and he held several positions with DTL, including General Manager, Director of Operations, VP of Finance & Operations, and Chief Financial Officer, from July 2010 to July 2021.

Item 3

LITIGATION

Pending Litigation

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

Item 5

INITIAL FEES

Development Agreement

You must pay us a development fee equal to \$50,000 multiplied by the number of Restaurants to be developed within the Development Area. You must pay us this fee in a lump sum when you sign the Development Agreement. We will not refund the development fee under any circumstances. We expect Development Agreements to cover between 1 and 10 District Taco Restaurants.

Franchise Agreement

When you sign the Franchise Agreement you must pay us a lump sum initial franchise fee of \$25,000. This initial franchise fee is fully earned and not refundable. However, we may, in our discretion, terminate the Franchise Agreement and refund you up to 50% of the initial franchise fee if (1) you do not sign a lease for your DT Restaurant that we have approved within 6 months after signing the Franchise Agreement; or (2) upon your or your Operating Principal's death or disability, your DT Restaurant has not yet opened for business. Before you open your DT Restaurant and after we receive the Site Report, we may, as we deem necessary, either on our own initiative or upon your reasonable request, provide you with an on-site evaluation (in person or virtually). We will provide one on-site evaluation for your DT Restaurant at no additional charge to you if the evaluation is for your (or your affiliate's) first DT Restaurant. If we determine that additional on-site evaluations are necessary or you request additional on-site evaluations, we reserve the right to charge you a reasonable fee (currently \$500 per evaluation) based upon the reasonable expenses we incur in connection with the on-site evaluations, including, the cost of travel, lodging, meals and other expenses incurred in connection with on-site evaluations.

Before you open your DT Restaurant for business, we will provide an initial brand standard training program for your Operating Principal (defined in Item 15), Multi-unit Manager (defined in Item 15), if applicable, and General Manager (defined in Item 15), 2 additional managers for your DT Restaurant and any other personnel we may require. Additional members of your DT Restaurant staff also may participate. We currently charge \$1,500 for each additional person that attends training. If we determine that you or any of your personnel cannot complete the initial training program to our satisfaction, then we may require you or your personnel to attend additional training programs at your expense for which we may charge additional fees. Training fees are not refundable under any circumstance.

We will, at your request, send a trainer to your DT Restaurant to assist you with training on brand standard issues. You must request a trainer at least 30 days before your DT Restaurant opens for business (the "**Opening Date**"). The trainer will assist you for a period of up to 10 days

beginning before, and continuing after, the Opening Date. We do not charge a fee for the trainer. However, if your DT Restaurant is the second or subsequent DT Restaurant that you or your affiliates then operate, you must pay (or reimburse us for) all of the trainer’s travel, living, and other out-of-pocket expenses. We estimate that these expenses will range from \$0 to \$2,000 per week.

Except as otherwise stated above, all fees are non-refundable.

Item 6

OTHER FEES

Development Agreement

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Development deadline extension fee	\$10,000	Upon your request for a 90-day extension of either the Franchise Agreement signing deadline or DT Restaurant opening deadline (as applicable)	If we deny the extension, we will refund this fee.
Site Consultation	\$250 per hour, but we may increase this amount upon 30 days’ prior written notice	As incurred	We will provide you with up to 2 hours of free consultation and advice related to site selection for each DT Restaurant you will develop. Payable if you request additional consultation and advice related to site selection.
Costs and attorneys’ fees	Will vary under circumstances	As incurred	Payable by non-prevailing party if we or you initiate legal proceedings.
Indemnification	Will vary under circumstances	As incurred	You must indemnify and reimburse us and our affiliates if we or they incur costs for claims arising from your business, your breach of the Development Agreement or your non-compliance with any law.

Franchise Agreement

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty	6% of your DT Restaurant’s Gross Sales ⁽²⁾	Weekly, currently Wednesday	See Note (1)
Innovation Fund ⁽³⁾ contribution	If established, 2% of your DT Restaurant’s Gross Sales ⁽²⁾	Weekly, currently Wednesday	See Note (1)

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Advertising & Promotional Materials	Varies, depending on your advertising needs	As incurred.	
Advertising Cooperative contributions	If established, the amount the cooperative periodically establishes, subject to the Marketing Spending Requirement ⁽⁴⁾	As the cooperative determines	See Note (5)
Marketing Spending Requirement shortfall	Difference between Marketing Spending Requirement and amount you spent	As incurred	See Note (4)
Website and mobile app fees	Our reasonable costs, currently \$100 but could increase if our costs increase ⁽⁶⁾	Monthly	Covers DT Website and mobile app maintenance.
Loyalty and Gift card platform	\$200 per month	Monthly	See Note (6)
Ongoing training fees	Currently \$0 to \$5,000 per year, but could increase if our costs increase ⁽⁶⁾	As incurred	Covers annual evaluation and additional training courses, including conventions and other programs.
Additional Assistance	\$250 an hour per person that assists you, plus per diem charges and any travel expenses, lodging and meals for our personnel (as applicable)	As incurred	Payable when you request additional training or consultations related to the operation of your DT Restaurant, including certain IT support services.
New product or supplier review fee	Currently, \$5,000 to reimburse us for our reasonable costs and expenses in reviewing a new supplier, distributor, or equipment	As incurred	Payable only if you ask us to evaluate a new supplier, distributor, or equipment of your choice that is not currently approved or designated by us.
Unapproved products and services	\$250 per day	As incurred	Payable until you discontinue offering, selling, or providing the unapproved products and services.
Transfer fee	\$5,000	Before transfer is completed	Payable on any proposed transfer, in addition to any transfer fee under Development Agreement.

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Renewal franchise fee	The initial franchise fee under the then-current form of Franchise Agreement	Upon signing renewal Franchise Agreement	
Management fee	3% of Gross Sales ⁽²⁾ plus direct costs and expenses	As incurred	Due only if we manage your DT Restaurant while we consider whether to exercise purchase option.
Costs and attorneys' fees	Will vary under circumstances	As incurred	Payable by non-prevailing party if we or you initiate legal proceedings.
Indemnification	Will vary under circumstances	As incurred	You must indemnify and reimburse us and our affiliates if we or they incur costs for claims arising from your DT Restaurant's development or operation, your business, your breach of the Franchise Agreement or your noncompliance with any law.
Relocation	Our reasonable costs that we incur in connection with your proposed relocation, currently \$7,500	As incurred	Covers costs we incur in connection with the proposed relocation, including costs to review the proposed relocation site.
Inspections	Currently \$5,000 plus travel expenses	As incurred	If you fail to satisfy the DT Standards in any quality assurance inspection or evaluation, we may charge a reasonable fee for any additional inspections or evaluations.
Interest	The lesser of (i) 1% per month or (ii) the maximum rate allowed by applicable law	As incurred	Due on all overdue amounts and dishonored payments.
Insurance costs	Premiums plus our costs and expenses	As incurred	Due only if you fail to maintain (or prove you have) insurance and we, at our option, obtain insurance for you.
Audit expenses	Cost of audit (currently estimated at \$5,000)	As incurred	Due only if you fail to timely furnish reports or understate Royalty or Innovation Fund

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
			contribution by 1% or more.
Late Payment or Reporting Fee	\$50 per day that you are late on payments or reports	As incurred	If you fail to pay any amounts when due or fail to submit reports as required, we may charge you \$50 per day until the payment or report is received. See Note (1).
Liquidated Damages	Average monthly Royalties and Innovation Fund contributions that you owed during the 12 months before the month of termination (or the shorter period during which your DT Restaurant operated) multiplied by 36 or the number of months remaining in the term, whichever is less.	As incurred	Covers certain damages due if we terminate the Franchise Agreement before the term expires.
Public Offering Fee	\$5,000 to reimburse us for our reasonable costs and expenses in reviewing the proposed security offering	As incurred	This covers our cost to review the proposed security offering under the Franchise Agreement.
Taxes	Will vary under circumstances	As incurred	See Note (1).

Explanatory Notes

- (1) Except for the development deadline extension fee under the Development Agreement, all fees in this Item 6 are non-refundable. These fees are imposed and collected by, and payable to, us. Unless stated otherwise, these fees are uniform for franchisees and developers signing the Franchise Agreement and Development Agreement included in this disclosure document, although franchisees who signed other forms of Franchise Agreement may pay different amounts for some fees.

You must sign and deliver to us the documents we periodically require authorizing us to debit your bank account automatically for the Royalty, Innovation Fund contribution, and other amounts due under the Franchise Agreement or any related agreement between us (or our affiliates) and you. Under our current automatic debit program for your DT Restaurant, we will debit your account on or after the payment day for the Royalty and Innovation Fund contributions. You must make the funds available for withdrawal by electronic transfer before each due date. We may periodically change the mechanism for your payments of Royalties, Innovation Fund contributions and other amounts you owe to us and our affiliates under the Franchise Agreement or any related agreement upon written notice to you.

If you fail to report your DT Restaurant's Gross Sales or fail to make any amounts due to us available for withdrawal by electronic transfer before each due date, you will be required to pay us an additional fee of \$50 per day that we do not receive the Gross Sales report or the outstanding amounts, as applicable. This amount is in addition to any applicable interest penalties.

In addition to any sales, use and other transaction taxes that applicable law requires or permits us to collect from you for providing goods or services under the Franchise Agreement, you must pay us all federal, state, local or foreign (a) sales, use, excise, privilege, occupation or any other transactional taxes, and (b) other taxes or similar exactions, no matter how designated, that are imposed on us or that we are required to withhold relating to the receipt or accrual of Royalties or any other amounts you pay us under the Franchise Agreement, excluding only taxes imposed on us for the privilege of conducting business and calculated based on our net income, capital, net worth, gross receipts, or some other basis or combination of those factors, but not excluding any gross receipts taxes imposed on us or our affiliates for your payments intended to reimburse us or our affiliates for expenditures incurred for your benefit and on your behalf. You must make these additional required payments in an amount necessary to provide us with after-tax receipts (taking into account any additional required payments) equal to the same amounts that we would have received if the additional tax liability or withholding had not been imposed or required.

- (2) **“Gross Sales”** means all revenue that you receive or otherwise derive from operating your DT Restaurant, whether from cash, check, credit and debit card, barter, exchange, trade credit, or other credit transactions, including any implied or imputed Gross Sales from any business interruption insurance and all revenue from selling products intended for off-premises consumption or use and from providing Catering Service and Delivery Service (each as defined below). However, “Gross Sales” excludes (a) sales taxes, use taxes, and other similar taxes added to the sales price, collected from the customer and paid to the appropriate taxing authority; and (b) proceeds from the sale of used trade fixtures. Each charge or sale upon credit constitutes a sale for the full price on the day during which the charge or sale is made, regardless of when you receive payment (whether full or partial, or at all) on that sale. Gift certificate, gift card, stored value card or similar program payments count as Gross Sales when the gift certificate, other instrument or applicable credit is redeemed. **“Catering Service”** means the preparation and delivery (as applicable) of food and beverage products which are ordered from the catering menu (using catering forms) and prepared or partially prepared at your DT Restaurant and either (a) delivered to customers at locations other than the Site, where, in addition to delivering those products, you or a third party provides ancillary services (such as setting up for, serving or otherwise distributing food and beverage products) at those locations; or (b) picked up at your DT Restaurant. **“Delivery Service”** means the delivery of food and beverage products that are ordered off of the standard menu or the catering menu, whereby you or a third party delivers the food and beverage products to locations other than the Site.
- (3) The **“Innovation Fund”** is a marketing and Innovation Fund for the advertising, marketing, promotional, customer relationship management, public relations and other brand-related

programs and materials for all or a group of District Taco Restaurants that we periodically deem appropriate.

- (4) The “**Marketing Spending Requirement**” is the maximum amount that we can require you to spend on Cooperative (defined below) contributions and Local Marketing for your DT Restaurant during the calendar quarter, and is 2% of your DT Restaurant’s Gross Sales during the calendar quarter. “**Local Marketing**” means the approved advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs and materials that you or your agents or representatives develop or implement relating to your DT Restaurant. We will not count towards your Marketing Spending Requirement the cost of free or discounted products or services, coupons, special offers or price reductions that you provide as a promotion, signs, personnel salaries, administrative costs, employee incentive programs, or other amounts that we, in our reasonable judgment, deem inappropriate for meeting the Marketing Spending Requirement. We may periodically review your books and records and require you to submit reports periodically to determine your Local Marketing expenses. If you fail to spend (or prove that you spent) the Marketing Spending Requirement in any quarter, then in addition to our other rights, we may require you to pay us the shortfall for us to spend on Local Marketing for your DT Restaurant.
- (5) There are currently no franchisee advertising cooperatives in the District Taco Restaurant network. We may designate a geographic area in which 2 or more District Taco Restaurants are located as an area for an advertising or marketing cooperative (a “**Cooperative**”). The Cooperative’s members in any area are the owners of all the District Taco Restaurants located and operating in that area (excluding us and our affiliates, if applicable) that we can require to participate in the Cooperative. If we have established a Cooperative for the geographic area in which your DT Restaurant is located when you sign the Franchise Agreement, or if we establish a Cooperative in that area during the Franchise Agreement’s term, you must sign the documents that we require to become a member of the Cooperative and participate in the Cooperative as those documents require. You must contribute to the Cooperative the amounts that the Cooperative determines, subject to our approval and the Marketing Spending Requirement. The contribution amounts must not exceed 1.5% of your DT Restaurant’s Gross Sales. All material decisions of the Cooperative, including contribution levels (which also require our approval), will require the affirmative vote of more than 50% of all District Taco Restaurants participating in the Cooperative (including, if applicable, those that we or our affiliate operate), with each District Taco Restaurant receiving one vote. You can find additional information on Cooperatives in Item 11.
- (6) You must participate in our gift card program according to the procedures we specify in the DT Manual or otherwise in writing. District Taco gift cards will be available for purchase and redemption at all District Taco Restaurants. The administration of gift cards proceeds will be controlled by us or our affiliate.

Item 7

ESTIMATED INITIAL INVESTMENT

Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be made
Development fee (1)	\$50,000 - \$500,000	Lump sum	Upon signing Development Agreement	Us
Additional Funds - 3 months (2)	\$10,000 to \$50,000	As incurred	As incurred	Third parties
TOTAL ESTIMATED INITIAL INVESTMENT (3)	\$60,000 to \$550,000			

Explanatory Notes

- (1) The development fee is \$50,000 multiplied by the number of DT Restaurants to be developed within the Development Area. We expect Development Agreements to cover between 1 and 10 DT Restaurants.
- (2) This amount covers the costs needed to begin looking for sites in the Development Area and legal, accounting, consulting, brokerage, travel, lodging and other related expenses you may incur during the initial 3-month period after signing the Development Agreement. There is no additional initial investment for training, real property, equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements, decorating costs, inventory, security deposits, utility deposits, business licenses or other prepaid expenses required under the Development Agreement. You will incur costs for these and other expenses associated with developing and operating a District Taco Restaurant under the Franchise Agreement.
- (3) We relied on our, our affiliates', and our principals' experience in developing, operating and franchising District Taco Restaurants since 2009 to prepare the estimate for additional funds and other estimates in this table. You should review these figures carefully with a business advisor before deciding to acquire development rights. No part of this initial investment is refundable.

Franchise Agreement

YOUR ESTIMATED INITIAL INVESTMENT

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure (1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial franchise fee (2)	\$25,000	Lump sum	Upon signing the Franchise Agreement	Us
Leasehold improvements (3)	\$500,000 to \$850,000	Lump sum or progress payments	As needed	Contractors and vendors
Architect/Engineer Costs	\$20,000 to \$30,000	As arranged	As vendors require	Contractors and vendors
On-site Evaluations	\$0 to \$500	As incurred	Before opening	Us
Restaurant Assets (4)	\$165,000 to \$300,000	As incurred	Before opening	Contractors and vendors
Signage	\$5,000 to \$25,000	As incurred	As suppliers require	Contractors and vendors
3 months' rent (5)	\$0 to \$75,000	As arranged	As landlord requires	Lessor
Security deposit (5)	\$0 to \$50,000	As arranged	As landlord requires	Lessor
Opening inventory and supplies (6)	\$5,000 to \$20,000	As arranged	As incurred	Suppliers
Office and business supplies	\$1,000 to \$5,000	As arranged	As incurred	Suppliers
Grand opening marketing (7)	\$5,000	As arranged	Before opening	Advertising suppliers
Training expenses (8)	\$6,000 to \$14,000	As incurred	Before opening	Us and transportation lines, hotels, restaurants
Miscellaneous opening costs (9)	\$0 to \$1,000	As incurred		Us and/or various vendors
Utility deposits	\$0 to \$10,000	As incurred	As utility provider requires	Utility providers
Business licenses, including liquor license (10)	\$1,000 to \$20,000	As arranged	As appropriate state/local authority or third party requires	State/local authorities or third party
Insurance (11)	\$750 to \$2,250	As incurred	As insurance provider requires	Insurance providers

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure (1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Additional Funds – 3 months (12)	\$0 to \$25,000	As incurred	As incurred	Us and third parties
TOTAL ESTIMATED INITIAL INVESTMENT (13)	\$733,750 to \$1,457,750			

Explanatory Notes.

- (1) The amounts provided in this table include costs you will incur to start your business under the Franchise Agreement. Except for the security deposit under your DT Restaurant’s lease, which is typically refundable if you comply with the lease terms, all fees and payments are non-refundable. The low and high ranges in the table are based on average size premises for a District Taco Restaurant, which ranges from 2,000 to 3,000 square feet, and does not include optional, atypical upgrades to equipment or restaurant design. The costs for rent, furniture, fixtures and equipment, leasehold improvements and inventory and supplies will vary and may be higher than projected in this table based on your DT Restaurant’s square footage, condition of the property, location, market conditions, financing costs, and other physical characteristics of your franchised location.
- (2) We describe the initial franchise fee in Item 5. The initial franchise fee is a \$25,000 lump sum payment. The initial franchise fee is non-refundable under the terms of the Franchise Agreement, except that we currently have a policy under which we may terminate the Franchise Agreement and refund you up to 50% of the initial franchise fee if (1) you are unable to locate an accepted site within six months after signing the Franchise Agreement or (2) you or your Operating Principal (defined in Item 15) dies or become disabled and your DT Restaurant has not yet opened for business.
- (3) You will need to alter the Site’s interior space to meet our then-current specifications and develop your DT Restaurant. These figures cover the costs related to demolition, construction, remodeling, repair, insulation, doors and hardware, partition walls, ceilings, flooring, painting, decoration, acquisition and installation of leasehold improvements and other fixed assets, cabinets, plumbing, HVAC, electrical, fire and security systems, decorating, and similar costs for a facility up to approximately 3,000 square feet. The amounts vary depending primarily on your DT Restaurant’s size, location and condition. Some landlords may pay some or all of your tenant improvements as part of your lease negotiations. This estimate does not include construction of a building from the ground up.
- (4) These figures cover your other “**Restaurant Assets,**” which are the required furniture, fixtures, Computer System (defined below) components, equipment, furnishings, signs and smallwares that we require for your DT Restaurant. The “**Computer System**” means the computer-based, web-based application and/or other technological systems and services that we periodically specify, including hardware components, software, dedicated communication and power systems, printers, payment devices, and other computer-related

accessories and peripheral equipment. We expect the Computer System to cost between \$15,000 and \$30,000. Your costs for Restaurant Assets will vary primarily depending on your DT Restaurant's size and the market in which your DT Restaurant is located.

- (5) Rent amounts can vary depending upon the area in which the Site is located, its size, the condition of the premises, the landlord's contribution to your leasehold improvements and other factors. You likely will also have to pay the landlord a first and/or last months' rent as a security deposit when you sign the lease. You may choose to purchase, rather than rent, real estate on which a building suitable for your DT Restaurant already is constructed or could be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Because of the numerous variables that affect the value of a particular parcel of real estate, this initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for your DT Restaurant.
- (6) This figure includes costs for an initial supply of various food products, beverages, paper products, cleaning supplies and other supplies used in the operation of your DT Restaurant, as well as other products that your DT Restaurant sells. These costs will vary according to your DT Restaurant's anticipated sales volume and current market prices for inventory and supplies.
- (7) You must conduct your grand opening marketing program according to our standards and specifications. You may choose to spend more than \$5,000 on your DT Restaurant's grand opening marketing program.
- (8) This range includes your required personnel's training fees and the estimated costs and expenses for lodging, transportation, and meals while they attend our initial training program.
- (9) This range estimates costs for professional fees and other miscellaneous prepaid and opening expenses you may incur in developing your DT Restaurant.
- (10) You must obtain and maintain a liquor license for your DT Restaurant. The cost of a liquor license can be significantly higher in a few states and municipalities where the number of licenses is severely restricted or available only from an existing holder. You should retain legal counsel specialized in obtaining and maintaining liquor licenses.
- (11) You must obtain certain types and amounts of insurance; see Items 6 and 8 for details. Insurance costs will vary depending upon several factors, including the size and location of your DT Restaurant. Insurance deposits may be required by your insurance company for your liability insurance and workers compensation.
- (12) This amount estimates the funds needed to cover initial operating expenses for a period of three months of operation (other than the items identified separately in the table). These figures are estimates, and we cannot guarantee you will not have additional expenses starting the business. You might need additional working capital during the first 3-months you operate your DT Restaurant and for a longer period after that. This 3-month period is

not intended, and should not be interpreted, to identify a point at which your DT Restaurant will break even.

- (13) We relied on our, our affiliates', and our principals' experience in developing, operating and franchising District Taco Restaurants since 2009 to prepare the estimate for additional funds and other estimates in this table. You should review these figures carefully with a business advisor before deciding to acquire the franchise. The estimate does not include any finance charge, interest, or debt service obligation. We do not offer financing for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral and the lending policies of financial institutions from which you request a loan.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Development Agreement

The Development Agreement does not require you to buy or lease from us or designated or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items to establish or operate the business of developing restaurants under the Development Agreement. However, you must follow our requirements under the Franchise Agreement for each District Taco Restaurant you develop.

Franchise Agreement

Below we list requirements for and restrictions on sources of products and services under the Franchise Agreement, including those related to the DT Standards, suppliers, insurance, Local Marketing, and DT Restaurant upgrades.

DT Standards

In order to ensure a uniform image and uniform quality of products and services throughout District Taco Restaurants, you must operate and maintain your DT Restaurant according to the DT Standards. DT Standards may regulate, among other things, the brands, types, and models of Restaurant Assets and other products and services you use to operate your DT Restaurant; required or authorized products and services or product and service categories; ingredients and preparation methods for food and beverage products; and designated or approved suppliers of these items, which might include or be limited to us and/or our affiliates.

You must provide Catering Service and Delivery Service (or contract with others to provide Delivery Service) from your DT Restaurant according to the Franchise Agreement and all applicable DT Standards. You may not establish another outlet or property (other than the Site) for use in providing Catering Service or Delivery Service and may not provide Catering Service or Delivery Service to customers at or from Non-Traditional Locations (defined in Item 12) without our prior written consent. You also must provide the products and services offered for

sale at your DT Restaurant by alternative means, such as through pick-up or carry-out arrangements, in accordance with the DT Standards.

We issue and modify the DT Standards based on our, our affiliates' and our franchisees' experience in franchising and/or operating District Taco Restaurants. We will notify you in our DT Manual of the DT Standards and names of designated and approved suppliers. We also provide our relevant standards and specifications to approved suppliers. Currently, the purchases and leases that you must make from us or our affiliates, from approved suppliers, or according to the DT Standards represent approximately 95% of your total purchases and leases in establishing, and approximately 98% of your total purchases and leases in operating your DT Restaurant.

Suppliers

You must purchase or lease all Restaurant Assets and other products and services for your DT Restaurant according to the DT Standards, and if we require, only from suppliers or distributors that we designate or approve, which may include or be limited to us or our affiliates. When determining whether to source-restrict a particular item or service that you must acquire, we take into account a variety of factors, including pricing, the quality and accessibility of products and/or services and the importance of uniform quality of products and services throughout District Taco Restaurants.

We also require you to purchase all signage and advertising materials for your DT Restaurant from us or our affiliate. You also must purchase from us or our affiliate salsas and marinated meats, as well as all other food and beverage products that we periodically specify as being mandatory. You must also purchase District Taco employee apparel and gift cards from us or our affiliate. Except as stated above, neither we or our affiliates currently are an approved supplier or the only approved supplier of any product or service that you use or sell at your DT Restaurant.

In the future, we may designate us and/or our affiliates as approved suppliers or the only approved supplier for certain other products and services. We or our affiliates may derive revenue based on your purchases and leases, including from charging you for products and services that we or our affiliates provide to you and from promotional allowances, volume discounts and other payments made to us by suppliers and/or distributors that we designate or approve for some or all of our franchisees. We and our affiliates may use all amounts received from suppliers and/or distributors, whether or not based on your or other franchisees' actual or prospective dealings with them, without restriction for any purposes that we or our affiliates deem appropriate. During 2023, parent company District Brands, Inc received revenue of \$7,127 from selling District Taco employee apparel to District Taco Restaurant franchisees. Total revenue from selling District Taco employee apparel to District Taco Restaurant franchisees during 2023 represents less than 1% of District Brands, Inc's total 2023 revenue. We expect to continue to derive revenue from providing advertising materials and other branded items to franchisees.

To maintain the quality of the goods and services that District Taco Restaurants use and sell and our network's reputation, you must use the design company and/or other contractor whom we designate or approve to design and/or develop your DT Restaurants. Currently, you must also purchase certain food items, alcoholic and other beverages, supplies, smallwares, largewares,

chemicals, hot sauces, and retail merchandise only from a designated or approved supplier. You also must buy your food, beverages and operating supplies through our approved distributor and under the distribution agreement that we negotiated for the District Taco Restaurant network. At our option, you must contract with one or more suppliers that we designate or approve to develop and/or implement Local Marketing. You can find the names of designated and approved suppliers in the DT Manual, which we may periodically modify. Except as described in this Item 8, there currently are no other goods, services, supplies, fixtures, equipment, inventory, computer hardware or software, real estate, or comparable items related to establishing or operating your DT Restaurant that you must purchase from us or designated or approved suppliers. None of our officers owns an interest in any current supplier to District Taco Restaurant franchisees.

You must accept and fulfill all pick-up, carry-out, catering and delivery orders from any customer ordering processes that we periodically specify, including any online, call center, app-based ordering processes, or any other program or system that we periodically designate (the “**Order Intake Systems**”), and for which we may charge you reasonable fees.

If you want to use any Restaurant Assets or other products or services for or at your DT Restaurant that we have not yet evaluated, or purchase or lease any Restaurant Assets or other products or services from a supplier or distributor that we have not yet approved (for Restaurant Assets or other products and services that we require you to purchase only from designated or approved suppliers or distributors), you first must submit sufficient information, specifications and samples for us to determine whether the product or service complies with our standards and specifications and/or the supplier or distributor meets our criteria. We may condition our approval of a supplier or distributor on requirements relating to product quality, prices, consistency, warranty, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) and/or other criteria. We may inspect the proposed supplier’s or distributor’s facilities and require the proposed supplier or distributor to deliver product or other samples, at our option, either directly to us or to any independent laboratory that we designate for testing. You need not pay us any fees for proposing new suppliers or distributors. We will use commercially reasonable efforts to notify you of our approval or disapproval within 10 business days after receiving all information we require. We may periodically re-inspect the facilities, products and services of any approved supplier or distributor and, upon notice to franchisees and/or the supplier, revoke our approval of any supplier, distributor, product or service that does not continue to meet our criteria. Despite these rights, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including if we have already designated an exclusive source (which might be us or our affiliate) for the applicable product or service or if we believe that doing so is in the best interests of the District Taco Restaurant network. The DT Manual may provide additional detail on the manner in which we grant and revoke approval of suppliers.

During 2023, we received supplier rebates of \$734 from suppliers based on franchisees’ purchases from those suppliers. Total supplier rebates received during 2023 from suppliers based on franchisees’ purchases represent less than 1% of our total 2023 revenue. We expect to continue to receive payments from suppliers based on franchisees’ purchases from those suppliers in the future. If we receive payment from suppliers based on franchisees’ purchases from those suppliers

in the future, we currently plan to contribute those amounts to the Innovation Fund, but we may change our plans at any time.

We will not provide material benefits, like renewal or granting additional franchises, to franchisees based on their purchase of particular products or services or use of particular suppliers. We negotiate purchase arrangements with some suppliers, including price terms. In doing so, we seek to promote the overall interests of our franchise network and our interests as franchisor. There are no formal purchasing or distribution cooperatives in the District Taco Restaurant franchise network.

Insurance

You must maintain in force at your sole expense the insurance coverage for your DT Restaurant (including the Catering Service and Delivery Service) in the amounts, covering the risks, and containing only the exceptions and exclusions that we periodically specify for similarly situated District Taco Restaurants. Although we may periodically increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance, we will not increase the required minimum limits during the first two years following the Franchise Agreement's effective date. All of your insurance carriers must be rated A or higher by A. M. Best and Company, Inc. or using similar criteria as we periodically specify. These insurance policies must be in effect on or before the deadlines we specify. All insurance policies must name us, any affiliates we designate, and any tenant leasing company or landlord (as required by your lease) as an additional insured. You should consult with an insurance professional to determine what coverage, in addition to the minimum required coverage, you may need for you and your DT Restaurant.

At the time of this Disclosure Document, we require the following types and minimum amounts of coverage: (1) commercial general liability coverage of \$2,000,000 per occurrence; (2) products and completed operation coverages of \$2,000,000 per occurrence; (3) auto hired and non-hired combined single limit of \$1,000,000 per occurrence; (4) workers compensation meeting the statutory requirements in your state; and (5) liquor liability coverage of \$1,000,000 per occurrence and \$2,000,000 aggregate. We also recommend umbrella liability coverage at a minimum of \$1,000,000 per occurrence and \$1,000,000 aggregate.

Local Marketing

You must obtain our approval of the grand opening marketing program for your DT Restaurant. You also must at your expense participate in the manner we periodically specify in all advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs that we periodically designate for your DT Restaurant, subject to the Marketing Spending Requirement. You must ensure that all of your Local Marketing is completely clear, factual and not misleading, complies with all applicable laws and regulations, and conforms to the highest ethical standards and the advertising and marketing policies that we periodically specify. Before using them, you must send to us, for our approval, descriptions and samples of all proposed Local Marketing that we have not prepared or previously approved within the previous 6 months. If you do not receive written notice of approval from us within 15 business days after we receive the materials, they are deemed disapproved. You may not conduct or use any Local

Marketing that we have not approved or have disapproved. At our option, you must contract with one or more suppliers that we designate or approve to develop and/or implement Local Marketing.

DT Restaurant Upgrades

In addition to your obligations to maintain your DT Restaurant according to DT Standards, once during the Franchise Agreement’s initial term, we may require you to substantially alter your DT Restaurant’s and the Site’s appearance, branding, layout and/or design, and/or replace a material portion of your Restaurant Assets, in order to meet our then-current requirements for new similarly situated District Taco Restaurants. This obligation could result in your making extensive structural changes to, and significantly remodeling and renovating, your DT Restaurant, and/or in your spending substantial amounts for new Restaurant Assets. You must incur any capital expenditures required to comply with this obligation and our requirements, even if you cannot amortize those expenditures over the remaining Franchise Agreement term. Within 60 days after receiving written notice from us, you must have plans prepared according to the standards and specifications we specify and, if we require, using architects and contractors we designate or approve, and you must submit those plans to us for our approval. You must complete all work according to the plans we approve within the time period that we reasonably specify. In determining the time period, we will take into account a number of factors, including the expenses required, the availability of new products and services, and the disruption to restaurant operations that the upgrade will require. However, this does not limit your obligation to comply with all mandatory DT Standards we periodically specify.

Item 9

FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

	Obligations	Section in agreement	Disclosure document item
a.	Site selection and acquisition/lease	3.A, 3.B, 3.G and Exhibits A-1, A-2 and D of Franchise Agreement	7, 8, 11 and 12
b.	Pre-opening purchases/leases	3.C, 3.D and 7 of Franchise Agreement	7, 8 and 11
c.	Site development and other pre-opening requirements	3.D and 3.F of Franchise Agreement	7, 8 and 11
d.	Initial and ongoing training	5 of Franchise Agreement	5, 6, 7 and 11
e.	Opening	3.F of Franchise Agreement	11
f.	Fees	3.D, 3.E, 3.G, 5.D, 6, 7.C, 7.G, 8.B, 8.E, 8.F, 10, 14.D, 14.I, 17.A, 17.E, 18.D and 19.C of Franchise Agreement and 4, 5(b), 6, and 7 of Development Agreement	5, 6, 7, 8 and 11

	Obligations	Section in agreement	Disclosure document item
g.	Compliance with standards and policies/Operating Manual	5.E, 5.F, 7, 8.A, 8.C, 8.F, and 11.A of Franchise Agreement	6, 8 and 11
h.	Trademarks and proprietary information	11 and 12 of Franchise Agreement and 10 of Development Agreement	13 and 14
i.	Restrictions on products/services offered	7.B, 7.C and 7.H of Franchise Agreement	8, 11 and 16
j.	Warranty and customer service requirements	7 of Franchise Agreement	11 and 16
k.	Territorial development and sales quotas	2, 3.A, and 7.I of Franchise Agreement and 2, 5 and Exhibit A of Development Agreement	8, 11 and 12
l.	On-going product/service purchases	7 of Franchise Agreement	8, 11 and 16
m.	Maintenance, appearance and remodeling requirements	7.A and 7.H of Franchise Agreement	8 and 11
n.	Insurance	7.G of Franchise Agreement	6, 7 and 8
o.	Advertising	8 of Franchise Agreement	6, 7, 8 and 11
p.	Indemnification	11.E and 18.D of Franchise Agreement and 17 of Development Agreement	6
q.	Owner's participation/ management/ staffing	2.B, 2.D and 5 of Franchise Agreement	11 and 15
r.	Records and reports	7.K, 8.D, 8.E and 9 of Franchise Agreement	6 and 11
s.	Inspections and audits	3.D, 3.F, 5.E, 7.C and 10 of Franchise Agreement	6
t.	Transfer	14 of Franchise Agreement and 14 and 15 of Development Agreement	6 and 17
u.	Renewal	15 of Franchise Agreement	6 and 17
v.	Post-termination obligations	17 of Franchise Agreement	6 and 17
w.	Non-competition covenants	13 and 17.D of Franchise Agreement and 10 of Development Agreement	17
x.	Dispute resolution	19 of Franchise Agreement and 17 of Development Agreement	17
y.	Other: Guaranty and Assumption of Obligations	Exhibit C of Franchise Agreement	15

Item 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or other obligations.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

At the time you sign the Development Agreement, we will:

- (1) Determine the Development Area within which you will look for District Taco Restaurant sites. (Development Agreement – Section 2)
- (2) Determine the number of District Taco Restaurants that you (or your Controlled Affiliates) must open in the Development Area under the Development Schedule attached to the Development Agreement. (Development Agreement – Section 2)
- (3) Determine the Development Schedule and the deadlines by which you (or your Controlled Affiliate) must sign a Franchise Agreement for, and open and begin operating, each District Taco Restaurant to be developed under the Development Agreement. (Development Agreement – Section 5)

After you sign the Development Agreement, we will:

- (1) Grant or deny requests for extensions of the Franchise Agreement signing deadline and/or the restaurant opening deadline on the Development Schedule. You must send us a \$10,000 extension fee with each request for an extension. If we grant the extension, we will set a new deadline and the extension fee is non-refundable. If we deny the extension, we will refund the extension fee. (Development Agreement – Section 5)
- (2) At your option, we will provide you with up to 2 hours of consultation and advice related to site selection at no charge for each DT Restaurant you will develop under the Development Schedule. (Development Agreement – Section 6)
- (3) Grant you (or your Controlled Affiliate) franchises to operate District Taco Restaurants in the Development Area. You (or your Controlled Affiliate) must sign our then-current form of Franchise Agreement and any ancillary agreements for each restaurant developed under the Development Agreement, any or all of the terms of which may differ from the terms contained in the Franchise Agreement attached to this disclosure document. Under each of those Franchise Agreements, the initial franchise fee is \$25,000. You (or your Controlled Affiliate) must sign a Franchise Agreement for a site before buying or signing a lease or sublease for that site. We will determine the location of each DT Restaurant under the terms of the applicable Franchise

Agreement. If you fail to meet the Development Schedule, we may terminate the Development Agreement if you do not correct the breach within 30 days after we deliver notice of the breach to you. (Development Agreement – Sections 7, 9 and 12)

Under the Franchise Agreement, before you open your DT Restaurant, we will:

(1) Accept a Site that meets our requirements. If we have not accepted the Site when you sign the Franchise Agreement, then promptly after signing the Franchise Agreement, you must deliver to us for our review a complete site report and other materials and information we request (collectively the “Site Report”) for a suitable site within the Site Selection Area (defined in Item 12). You must locate your DT Restaurant only at a Site we have accepted. We will not unreasonably withhold our acceptance of a site that meets our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; other reasonable commercial characteristics; the proposed site’s size, appearance, and other physical characteristics; and any other factors we reasonably deem appropriate. In determining whether to accept or reject a proposed site, we also may consider the site’s proximity both to the Site Selection Area’s boundaries and to other existing or potential sites for District Taco Restaurants located outside the Site Selection Area. We will spend the time and effort and incur the expense reasonably required to consider sites you propose. We will use our reasonable efforts to review and either accept or reject a site you propose within 15 business days after receiving the complete Site Report and other materials we request. (Franchise Agreement – Section 3.A)

(2) Accept a lease that meets our requirements and define the Primary Area of Responsibility. You must obtain our prior written acceptance of the terms of any lease or sublease for the Site before you sign it. The lease must contain the terms and provisions that are reasonably acceptable to us, including provisions to protect our rights as your franchisor. We will also require you to arrange for the execution of a lease rider attached to the Franchise Agreement as Exhibit D (the “**Lease Rider**”). You must give us a copy of the fully-signed lease within 10 days after you and the landlord have signed it. You may not sign any renewal or amendment of the lease that we have not accepted. If this is your first Restaurant, you must sign a lease that we have approved and have the Lease Rider executed within 9 months after the Franchise Agreement’s effective date. If this is your second or subsequent Restaurant, you must sign a Lease that we have approved and have the Lease Rider executed, for a Site that we have accepted, within 6 months after the Franchise Agreement’s effective date; otherwise we may terminate the Franchise Agreement. We will not unreasonably withhold our approval of a proposed site. (Franchise Agreement – Section 3.B)

(3) After you sign the lease, we will define the Primary Area of Responsibility using our then-current standard criteria. We will insert the Site’s address, the Primary Area of Responsibility’s description, and the Opening Deadline on a new Exhibit A-1 to the Franchise Agreement, and we and you will sign and date the new Exhibit A-1 to the Franchise Agreement. (Franchise Agreement – Section 3.C)

(4) Provide you mandatory and suggested written specifications and layouts for a District Taco Restaurant, which might include recommendations and/or requirements for dimensions, design, image, interior layout (including equipment placement), decor, Restaurant

Assets, and color scheme. Your DT Restaurant must contain all of the Restaurant Assets, and only the Restaurant Assets, that we periodically specify. At our option, you must use only the development company and/or other contractor(s) that we periodically designate or approve to design and/or develop your DT Restaurant. We do not provide any Restaurant Assets or other items for your DT Restaurant's development directly or deliver or install items. We will provide the names of approved suppliers and/or specifications for some items.

You must prepare all required construction plans and specifications to suit the Site and make sure that they comply with the Americans with Disabilities Act (the "ADA") and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. At our option, you must submit construction plans and specifications to us for approval before you begin constructing your DT Restaurant and all revised or "as built" plans and specifications during construction. If you do not receive written notice of approval from us within 15 business days after we receive the construction plans, they are deemed approved. Our review is limited to ensuring your compliance with our design requirements and the Franchise Agreement's other requirements. Our review is not designed to assess compliance with federal, state, or local laws and regulations, including the ADA, as compliance with those laws and regulations is your responsibility. You must remedy, at your expense, any noncompliance or alleged noncompliance with those laws and regulations. We may periodically inspect the Site while you are developing your DT Restaurant.

At your expense, you must construct, install trade dress and furnish all Restaurant Assets in, and otherwise develop, your DT Restaurant at the Site according to our standards, specifications and directions. You must notify us at least 30 days before you expect construction at your DT Restaurant to be completed. (Franchise Agreement – Section 3.D)

(5) Train you and your personnel to operate a District Taco Restaurant. We describe this training later in this Item 11. (Franchise Agreement - Sections 5.A to 5.D)

(6) Provide you access to, for use in operating your DT Restaurant during the Franchise Agreement's term, a copy of our DT Manual. The DT Manual might include written or intangible materials and we may make it available to you by various means. At our option, we may post the DT Manual on the DT Website (defined below) or another restricted website to which you will have access. If we do so, you must periodically monitor the website for any updates to the DT Manual or DT Standards. Any passwords or other digital identifications necessary to access the DT Manual on such a website are part of our confidential information. The DT Manual contains DT Standards and information on your other obligations under the Franchise Agreement. We may modify the DT Manual periodically to reflect changes in DT Standards. You must keep your copy of the DT Manual current and communicate all updates to your employees in a timely manner. In addition, you must keep any paper copy of the DT Manual you maintain in a secure location at your DT Restaurant. If there is a dispute over its contents, our master copy of the DT Manual controls. The contents of the DT Manual are confidential, and you may not disclose the DT Manual to any person other than DT Restaurant employees who need to know its contents. You may not at any time copy, duplicate, record or otherwise reproduce any part of the DT Manual, except as we periodically authorize for training and operating purposes. As of the date of this disclosure document, our DT Manual has a total of 421 pages and its table of contents is Exhibit D.

Any materials, guidance or assistance that we provide concerning the terms and conditions of employment for your employees, employee hiring, firing and discipline, and similar employment-related policies or procedures, whether in the DT Manual or otherwise, are solely for your optional use. Those materials, guidance and assistance do not form part of the mandatory DT Standards. You will determine to what extent, if any, these materials, guidance or assistance should apply to the DT Restaurant's employees. We do not dictate or control labor or employment matters for franchisees and their employees and are not responsible for the safety and security of DT Restaurant employees or patrons. You are solely responsible for determining the terms and conditions of employment for all DT Restaurant employees, for all decisions concerning the hiring, firing and discipline of DT Restaurant employees, and for all other aspects of your DT Restaurant's labor relations and employment practices. (Franchise Agreement – Sections 5.F and 7.H)

(7) Assist with the development of your grand opening marketing program. We describe our marketing programs and assistance below in this Item 11. (Franchise Agreement – Section 8.A)

Under the Franchise, Agreement, during your operation of your DT Restaurant, we will:

(1) Advise you periodically regarding your DT Restaurant's operation based on your reports or our inspections. We will guide you on standards, specifications, operating procedures and methods that District Taco Restaurants use, including establishing menu item prices; purchasing required or recommended Restaurant Assets and other products; and administrative, bookkeeping and accounting procedures. We will guide you in our DT Manual, in bulletins or other written materials, by electronic media, by telephone consultation, and/or at our office or your DT Restaurant. If you request and we agree to provide additional or special guidance, assistance or training, you must pay our then applicable charges, including our personnel's per diem charges and any travel and living expenses. Any specific ongoing training, conventions, advice or assistance that we provide does not create an obligation to continue providing that specific training, convention, advice or assistance, all of which we may discontinue and modify at any time. (Franchise Agreement – Section 5.E)

(2) At our option, hold various training courses and programs for you and/or your personnel, including your Operating Principal, Multi-unit Manager, if applicable, and General Manager, at the times and locations we designate. Your personnel whom we periodically specify must attend and satisfactorily complete these mandatory training courses and programs and evaluation programs that we choose to provide periodically at the times and locations we designate. Your personnel whom we periodically specify also must attend any conventions or other programs that we periodically specify for some or all District Taco Restaurants. We may charge reasonable fees for these training courses, programs and conventions. These fees currently range from \$0 to \$5,000 per year but could increase if our costs increase. We describe this training later in this Item 11. (Franchise Agreement – Sections 5.C)

(3) Provide updates to the DT Manual and DT Standards as we implement them. Our periodic modification of the DT Standards (including to accommodate changes to the Computer System and the Marks), which may accommodate regional and/or local variations, may obligate you to invest additional capital in your DT Restaurant and incur higher operating costs, and you must comply with those obligations within the time period we specify. Although we retain the

right to establish and periodically modify the Franchise System and DT Standards that you have agreed to follow, you retain the responsibility for the day-to-day management and operation of your DT Restaurant and implementing and maintaining DT Standards at your DT Restaurant. We may vary the Franchise System and/or DT Standards for any District Taco Restaurant or group of District Taco Restaurants based on the peculiarities of any conditions or factors that we consider important to its operations. You have no right to require us to grant you a similar variation or accommodation. (Franchise Agreement – Sections 5.F, 7.G and 7.I)

(4) Maintain and administer the Innovation Fund and DT Website. (Franchise Agreement – Section 8) We describe the Innovation Fund and DT Website below.

(5) Establish the maximum, minimum or other pricing requirements for the products and services your DT Restaurant offers, including requirements for promotions, special offers and discounts in which some or all District Taco Restaurants participate, in each case to the maximum extent the law allows (Franchise Agreement Section 7.H(9)).

DT Restaurant Opening

We estimate that the time between your signing the Franchise Agreement (which is when you will first pay us consideration for the franchise) and your DT Restaurant's opening date is 6 to 12 months. The precise timing depends on the time it takes you to sign an accepted lease; the Site's location and condition; the work needed to develop your DT Restaurant according to the DT Standards; completing training; obtaining financing; obtaining insurance; and complying with local laws and regulations. You must open your DT Restaurant on or before the opening deadline defined and listed in Exhibit A-2 to the Franchise Agreement, or we may terminate the Franchise Agreement.

You may not open your DT Restaurant until: (1) you have properly developed and equipped your DT Restaurant according to our standards and specifications and in compliance with all applicable laws and regulations; (2) Operating Principal, Multi-unit Manager, if applicable, General Manager, 2 managers, and any other attendees that we may reasonably require, have completed all pre-opening training to our satisfaction; (3) you have paid all amounts you then owe to us and our affiliates; (4) you have given us evidence of required insurance coverage and payment premiums; (5) you have given us a copy of your fully-signed lease; and (6) if we (at our sole option) require, we have in a timely manner conducted a pre-opening inspection and/or have certified your DT Restaurant for opening. Our determination that you have met all of our pre-opening requirements will not constitute a waiver of our right to demand full compliance with those requirements. (Franchise Agreement – Section 3.F)

Advertising, Marketing and Promotion

During the term of the Franchise Agreement, you must comply with our advertising, marketing, and promotion requirements and restrictions described below. We have no obligation to make any advertising expenditures in your geographic area.

Grand Opening Marketing Program

You must, at your expense, implement a grand opening marketing program for your DT Restaurant according to the requirements in the DT Manual and other DT Standards. At least 90 days before your DT Restaurant's planned opening date, you must prepare and submit to us for our approval a proposed grand opening marketing program that covers a period before and after the opening date and contemplates spending at least \$5,000. You must implement the approved grand opening marketing program and, if we require, you must provide evidence to us of your approved program expenditures. (Franchise Agreement – Section 8.A)

Innovation Fund

We will administer and control the Innovation Fund for the advertising, marketing, promotional, customer relationship management, public relations, research and development, and other brand-related programs, materials, and advancements for all or a group of District Taco Restaurants that we periodically deem appropriate. You must pay us, via electronic funds transfer or another payment method we specify and together with each payment of the Royalty, a contribution to the Innovation Fund equal to 2% of your DT Restaurant's Gross Sales. We anticipate that all franchisees will contribute to the Innovation Fund at the same rate. However, in the future, franchisees who sign other forms of Franchise Agreement may contribute to the Brand Fund at different rates. Each District Taco Restaurant that we or our affiliate operates will contribute to the Innovation Fund in the same manner and at the same rate as similarly-situated franchised District Taco Restaurants.

We have the right to designate and direct all programs that the Innovation Fund finances, with sole control over the creative and business concepts, materials, techniques and endorsements used and their geographic, market and media placement and allocation. The Innovation Fund may pay for preparing, producing and placing video, audio and written materials, electronic media and Social Media (defined below); developing, maintaining and administering one or more DT Websites, including online sales and customer retention programs, mobile applications, and other technologies used to reach customers and potential customers, and/or an intranet or extranet system; research and development related to robotic and other technologies for potential use in and promotion of District Taco Restaurants; administering national, regional, multi-regional and local marketing, advertising, promotional and customer relationship management programs, including purchasing trade journal, direct mail, Internet and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; loyalty programs; and supporting public and customer relations, market research, and other advertising, promotion, marketing and brand-related activities, including secret-shopper campaigns and company-wide team morale building programs and events. The Innovation Fund may place advertising or other programs in any media, including print, radio, and television, on a local, regional or national basis. Our in-house staff, national or regional advertising agencies, and/or

other contractors may produce advertising, marketing, promotional and other Innovation Fund programs and materials. The Innovation Fund also may reimburse District Taco Restaurant operators (including us and/or our affiliates) for expenditures consistent with the Innovation Fund's purposes that we periodically specify. We also may implement programs that the Innovation Fund could finance, but choose to finance them through other means, such as through your and other District Taco Restaurant operators' direct payments (subject to the Marketing Spending Requirement).

We will account for the Innovation Fund separately from our other funds and not use the Innovation Fund to pay any of our general operating expenses, except to compensate us and our affiliates for the reasonable salaries, administrative costs, travel expenses, overhead and other costs we and they incur relating to activities performed for the Innovation Fund and its programs, including conducting market research, preparing advertising and marketing materials, maintaining and administering the DT Website and/or Social Media, developing technologies to be used by the Innovation Fund or its programs, collecting and accounting for Innovation Fund contributions, and paying taxes on contributions. We will not use any Innovation Fund contributions principally to solicit new franchise sales, although part of the DT Website is devoted to franchise sales. The Innovation Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Innovation Fund or any other reason. The Innovation Fund may spend in any fiscal year more or less than the total Innovation Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Innovation Fund contributions to pay costs before using the Innovation Fund's other assets. We may incorporate the Innovation Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified here.

We began collecting contributions to the Innovation Fund from franchisees in August of 2023. In our most recently concluded fiscal year ending December 31, 2023, Innovation Fund contributions were used as follows: 20% for advertising and marketing, 21% for technology and software expenses, and 59% for website and mobile application development and support. We will prepare an annual, unaudited statement of Innovation Fund collections and expenses and give you the statement upon written request. While we do not intend for the Innovation Fund to be audited, we may have the Innovation Fund audited periodically at the Innovation Fund's expense by an independent accountant we select.

We intend for the Innovation Fund to maximize recognition of the Marks and patronage of District Taco Restaurants. Although we will try to use the Innovation Fund to develop and/or implement advertising and marketing materials, technologies and programs and for other uses (consistent with those listed in this Item 11) that will benefit all or certain contributing District Taco Restaurants, we need not ensure that Innovation Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Innovation Fund contributions from District Taco Restaurants operating in that geographic area, or that any District Taco Restaurant benefits directly or in proportion to the Innovation Fund contributions that it makes. We have the right, but no obligation, to use collection agents and institute legal proceedings at the Innovation Fund's expense to collect Innovation Fund contributions. We also may forgive, waive, settle and compromise all claims by or against the Innovation Fund. Except as expressly provided in the Franchise

Agreement, we assume no direct or indirect liability or obligation to you for maintaining, directing or administering the Innovation Fund.

At any time, we may defer or reduce a District Taco Restaurant operator's contributions to the Innovation Fund. Upon at least 30 days' written notice to you, we may reduce or suspend Innovation Fund contributions and/or operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Innovation Fund. If we terminate the Innovation Fund, we will (at our option) either spend the remaining Innovation Fund assets consistent with the provisions of this Item 11 or distribute the unspent assets to District Taco Restaurant operators (including us and our affiliates, if applicable) then contributing to the Innovation Fund in proportion to their contributions during the previous 12-month period. There are no advertising councils of franchisees that advise us on advertising policies and no local or regional advertising cooperatives in the District Taco Restaurants network. (Franchise Agreement – Section 8.B)

Local Marketing

You must at your expense participate in the manner we periodically specify in all advertising, marketing, promotional, customer relationship management, public relations and other brand-related programs that we periodically designate for your DT Restaurant, subject to the Marketing Spending Requirement. Before using any material, you must send to us, for our approval, descriptions and samples of all proposed Local Marketing that we have not prepared or previously approved within the previous 6 months. If you do not receive written notice of approval from us within 15 business days after we receive the materials, they are deemed disapproved. You may not conduct or use any Local Marketing that we have not approved or have disapproved.

Although we may not require you to spend more than the Marketing Spending Requirement on Innovation Fund contributions and approved Local Marketing for your DT Restaurant during any calendar quarter, you may choose to do so. We will not count towards your Marketing Spending Requirement the cost of free or discounted products or services, coupons, special offers or price reductions that you provide as a promotion, signs, personnel salaries, administrative costs, employee incentive programs, or other amounts that we, in our reasonable judgment, deem inappropriate for meeting the Marketing Spending Requirement.

The DT Standards may regulate sales, marketing, advertising, promotions and public relations programs and materials for your DT Restaurant and media uses in these programs, including participation in and compliance with the requirements of any special advertising, marketing, promotion, charitable and public relations programs in which all or certain District Taco Restaurants participate. This includes standards for participating in charitable and public relations programs, as we periodically modify them. (Franchise Agreement – Sections 7.H, 8.C and 8.E)

Advertising Cooperatives

Currently, there are no local or regional advertising cooperatives in the District Taco Restaurant network. However, we may designate a geographic area in which two or more District Taco Restaurants are located as an area for a Cooperative (defined in Item 6, Note 5 above). If we do so, the Cooperative's members will be the owners of the District Taco Restaurants (which may include us and our affiliates) located and operating in that geographic area that we have the right to

require to participate in the Cooperative. Each member will contribute at the same rate. At this time, we and our affiliates will not participate in, or contribute to, a Cooperative. Each Cooperative will be organized and governed in a form and manner, and begin operating on a date that we determine. Each Cooperative will, with our approval, develop, administer or implement advertising, marketing and promotional materials and programs for the area that the Cooperative covers. If we have established a Cooperative for the geographic area in which your DT Restaurant is located on the date you sign the Franchise Agreement, or if we establish a Cooperative in that area during the Franchise Agreement's term, you must sign the documents that we reasonably require to become a member of the Cooperative and to participate in the Cooperative as those documents require. Cooperatives will operate from written governing documents. A copy of the governing documents applicable to the geographic region in which your DT Restaurant will be located will be provided to you upon request. You must contribute to the Cooperative the amounts that the Cooperative determines, subject to our approval and the Marketing Spending Requirement. The Cooperative may not require contributions in excess of 1.5%.

All material decisions of the Cooperative, including contribution levels (which also require our approval), will require the affirmative vote of more than 50% of all District Taco Restaurants that are required to participate in the Cooperative, with each District Taco Restaurant receiving one vote. You must send us any reports that we or the Cooperative periodically require. Cooperatives will prepare annual or periodic financial statements and make them available for us and the Cooperative's members to review. The Cooperative will operate solely to collect and spend Cooperative contributions for the purposes described above. The Cooperative and its members may not use any advertising, marketing or promotional programs or materials that we have not approved. We may form, change, dissolve and merge Cooperatives. (Franchise Agreement – Section 8.D).

Marketing Spending Requirement

The Marketing Spending Requirement is the maximum amount that we can require you to spend on Cooperative contributions and approved Local Marketing for your DT Restaurant during each calendar quarter, and is an amount equal to 2% of your DT Restaurant's Gross Sales during that calendar quarter. Although we may not require you to spend more than the Marketing Spending Requirement on Cooperative contributions and approved Local Marketing, you may choose to do so. We will not count towards your Marketing Spending Requirement the cost of free, discounted, or promotional products or services, coupons, special offers or price reductions that you provide as a promotion, signs, personnel salaries, administrative costs, employee incentive programs, or other amounts that we, in our reasonable judgement, deem inappropriate for meeting the Marketing Spending Requirement. (Franchise Agreement – Section 8.E)

Quarterly Marketing Plan

On or before the date we periodically and reasonably specify each calendar quarter, you must prepare and deliver to us, in a form and format we periodically designate, a quarterly marketing plan describing your intended Local Marketing programs and expenditures for the next calendar quarter (the "**Quarterly Marketing Plan**"). The Quarterly Marketing Plan must contemplate your spending enough on Local Marketing to comply with the Marketing Spending Requirement. You must make the changes to the Quarterly Marketing Plan that we periodically

specify (subject to the Marketing Spending Requirement) and implement the approved Quarterly Marketing Plan according to the Franchise Agreement. (Franchise Agreement – Section 8.F)

DT Website

We or our designees may establish a website or series of websites or similar technologies, including mobile applications and other technological advances that perform functions similar to those performed on traditional websites, for the District Taco Restaurant network to advertise, market and promote District Taco Restaurants, the products and services they offer, and the District Taco Restaurant franchise opportunity; to facilitate the operations of District Taco Restaurants (including, at our option, online ordering and/or sales); and/or for any other purposes that we determine are appropriate for District Taco Restaurants (those websites, applications and other technological advances are collectively called the “**DT Website**”). If we include information about your DT Restaurant on the DT Website, then you must give us the information and materials that we periodically request concerning your DT Restaurant and participate in the DT Website in the manner that we periodically specify. We have the final decision concerning all information and functionality that appears on the DT Website and will update or modify the DT Website according to a schedule that we determine. By posting or submitting to us information or materials for the DT Website, you are representing to us that the information and materials are accurate and not misleading and do not infringe any third party’s rights. You must notify us whenever any information about you or your DT Restaurant on the DT Website changes or is not accurate.

We own all intellectual property and other rights in the DT Website and all information it contains, including the domain name or URL for the DT Website and all subsidiary websites, the log of “hits” by visitors, and any personal or business data that visitors (including you, your personnel and your customers) supply. We may use the Innovation Fund’s assets to develop, maintain, support and update the DT Website. We may implement and periodically modify DT Standards relating to the DT Website and, at our option, may discontinue all or any part of the DT Website, or any services offered through the DT Website, at any time.

All Local Marketing that you develop for your DT Restaurant must contain notices of the DT Website in the manner that we periodically designate. You may not develop, maintain or authorize any other website, other online presence or other electronic medium (such as mobile applications, kiosks and other interactive properties or technology-based programs) that mentions or describes you, your DT Restaurant or its products or services or that displays any of the Marks. Except for the DT Website (if applicable), you may not conduct commerce or offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet or using any other technology-based program without our approval. Nothing in the Franchise Agreement limits our right to maintain websites and technologies other than the DT Website or to offer and sell products or services under the Marks from the DT Website, another website or technology, or otherwise over the Internet (including to your DT Restaurant’s customers and prospective customers) without payment or obligation of any kind to you. (Franchise Agreement – Section 8.G)

Social Media

You must comply with our policies and requirements, which we may periodically modify, concerning blogs, common social networks like Facebook, professional networks like Linked-In,

live-blogging tools like Twitter, virtual worlds, file, audio and video sharing sites like Pinterest and Instagram, and other similar social networking or media sites or tools (collectively, “**Social Media**”) that in any way reference the Marks or involve your DT Restaurant. These policies may involve prohibitions on your and your representatives’ use of Social Media relating to the Marks or your DT Restaurant. (Franchise Agreement – Section 8.H)

Technology System

You must obtain and use the Computer System in operating your DT Restaurant. We may periodically modify the specifications for and components of, and/or the technologies and functions for the Computer System. These modifications and/or other technological developments or events may require you to purchase, lease, and/or license new or modified computer hardware, software, and other components and technologies and to obtain service and support for the Computer System. No contract limits the frequency or cost of this obligation. You must incur any costs associated obtaining, updating, adding to, or modifying the Computer System and required service or support. You must obtain Computer System components that we designate and ensure that your Computer System functions properly within 60 days after we deliver notice to you.

You will use the Computer System to operate your DT Restaurant’s point-of-sale system and back-of-house functions like inventory management. The Computer System will generate and store sales, inventory, pricing, cost information and other operations-related data. It will cost approximately \$15,000 to \$30,000 to acquire the Computer System hardware (including 1 POS terminal, 3 kiosks, and 3 tablets, a personal computer, networking equipment) and obtain initial licenses for the required software for your DT Restaurant. These costs will vary primarily depending on the number of POS terminals, kiosks, and tablets your DT Restaurant needs, market conditions, availability of the product, changes in technology, among other factors.

You currently must pay approximately \$5,000 for periodic required hardware and software upgrades. You must also pay approximately \$1,600 per month for required subscription services and/or licensed software, including but not limited to online ordering platforms, enterprise resource planning (“ERP”) software, point of sale, streaming music player, and security cameras.

We may, but have no obligation to, provide IT support to help diagnose unidentified issues with the Computer System for \$250 an hour upon your request. Otherwise neither we, our affiliate, or any third party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to the Computer System. Because of varying system needs and market conditions, we are unable to estimate the cost of other optional maintenance, updating, upgrading or support contracts for the Computer System.

We and our affiliates may condition any license of required or recommended proprietary software to you, and/or your use of technology developed or maintained by or for us (including the DT Website), on your signing a software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent to and accepting the terms of a click-through license agreement), that we and our affiliates periodically specify to regulate your use of, and our (or our affiliate’s) and your respective rights and responsibilities concerning, the software or technology. We and our affiliates may charge you up-front and ongoing fees for any required or recommended proprietary software or technology that we or our affiliates license to

you in the future and for other Computer System maintenance and support services provided during the term of the Franchise Agreement.

We will have independent, unlimited access to all information and data in your Computer System, including continuous independent access to all Customer Data (defined in Item 14). There are no contractual or other limits imposed upon our access to your Computer Data. Apart from your obligation to buy, use, and maintain the Computer System according to our standards and specifications, you have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces with our and any third party’s computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded. The Computer System permits 24 hours per day, 7 days per week electronic communications between you and us. (Franchise Agreement – Section 3.E)

Training

Our current training program that we provide to new franchisees after signing the Franchise Agreement and before opening the District Taco Restaurant includes 2 components, our formal initial training program and the Pre-Opening Trainer (if requested). We manage and perform all aspects of the training program. The DT Manual, various training guides, and other handouts will serve as instructional materials.

Initial Training Program

Your Operating Principal, Multi-unit Manager, if applicable, General Manager, 2 managers, and any other attendees that we may reasonably require must attend the initial training program and complete the program to our satisfaction at least 2 weeks before opening your DT Restaurant. You may also send additional DT Restaurant personnel to the initial training program. The initial training program may include classroom training, instruction at designated facilities, hands-on training at an operating District Taco Restaurant, remote training (including via Internet access) and/or self-study programs. We currently charge \$1,500 per additional person that attends training. You must pay all travel, living and other expenses that you and your personnel incur during the program. If we decide that you or your personnel cannot complete the initial training program to our satisfaction, we may require you or your personnel to attend additional training programs at your expense and for which we may charge reasonable fees.

We conduct the initial training program at our headquarters in Falls Church, Virginia and a designated District Taco Training Restaurant. There is no set frequency for the program. The following table describes our current initial training program:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The- Job Training	Column 4 Location
Overview of Operations	8	0	Falls Church, Virginia

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The- Job Training	Column 4 Location
<ul style="list-style-type: none"> ▪ Job Codes & Policies ▪ Systems ▪ Support & Supplies 			
Standard Employee Training Pt. 1 (BOH-Kitchen) <ul style="list-style-type: none"> ▪ Food Safety Standards ▪ Recipes & Prep ▪ Menu Review 	6	18	Your Restaurant/Designated DT Training Restaurant
Standard Employee Training Pt. 2 (BOH – Line) <ul style="list-style-type: none"> ▪ Item Production ▪ Cleanliness Expectations ▪ Expo & Running Food 	8	24	Your Restaurant/Designated DT Training Restaurant
Standard Employee Training Pt. 3 (FOH) <ul style="list-style-type: none"> ▪ Customer Service Intro ▪ Using the POS ▪ Processing Orders 	4	12	Your Restaurant/Designated DT Training Restaurant
Management Training Pt. 1 (Shift Manager) <ul style="list-style-type: none"> ▪ Opening/closing the Restaurant ▪ Train the Trainer Course ▪ Daily Responsibilities 	6	18	Your Restaurant/Designated DT Training Restaurant
Management Training Pt. 2 (Asst. General Manager) <ul style="list-style-type: none"> ▪ Employee Discipline ▪ Controlling Inventory ▪ Managing Equipment 	4	12	Your Restaurant/Designated DT Training Restaurant
Management Training Pt. 3 (General Manager) <ul style="list-style-type: none"> ▪ Personnel Management ▪ Cash & Deposits ▪ Systems Access & Troubleshooting 	10	30	Your Restaurant/Designated DT Training Restaurant
Multi-Unit Management Training Pt. 1 (Multi-unit Manager) <ul style="list-style-type: none"> ▪ Analyzing Systems Data ▪ Food + Facilities Evaluation + Corrective Action 	10	10	Your Restaurant/Designated DT Training Restaurant
TOTAL	56	124	

Opening Trainer

We will send one individual whom we choose (the “**Opening Trainer**”) for a period of up to 10 days beginning before and continuing after the Opening Date to assist with training on brand standard issues. You must request the Opening Trainer at least 30 days before the Opening Date. If your DT Restaurant is the second or subsequent DT Restaurant you and your affiliates then operate, you must pay the Opening Trainer’s travel, lodging, meals and other expenses we incur in connection with such training.

Ongoing Training

During the Franchise Agreement’s term, we may require you and/or your personnel, including your Operating Principal, Multi-unit Manager, if applicable, and General Manager, to attend and satisfactorily complete various training courses and programs and evaluation programs that we choose to provide periodically at the times and locations we designate. Your personnel whom we reasonably specify periodically also must attend any conventions or other programs that we periodically specify for some or all District Taco Restaurants. We may charge reasonable fees for these training courses, programs and conventions. We currently have no planned ongoing or optional training programs. At your request, and if we agree, we will provide additional or special guidance, assistance or training (including, consultation and advice concerning the operation of your DT Restaurant, advertising and marketing, and accounting) to you. You agree to pay us \$250 an hour per person that assists you, plus per diem charges and any travel expenses, lodging and meals for our personnel, as applicable. We may increase the amount to be charged for such additional or special guidance, assistance or training on 30 days’ prior written notice. Any specific ongoing training, conventions, advice or assistance that we provide does not create an obligation to continue providing that specific training, convention, advice or assistance, all of which we may discontinue and modify at any time. (Franchise Agreement – Sections 5.A to 5.E)

Item 12

TERRITORY

Below we describe your territorial rights under the Development Agreement and Franchise Agreement.

Development Agreement

We and you will identify the Development Area within which you and your Controlled Affiliates will develop District Taco Restaurants in an exhibit to the Development Agreement before signing it. We typically determine Development Areas using Metropolitan Statistical Areas (MSAs), by city, county, state, or other political boundaries, or by geographic boundaries. There is no minimum size for a Development Area. The Development Area’s size will vary depending on the number of District Taco Restaurants in the Development Schedule. A Development Area may be as small as a few blocks and as large as a state.

We and you will agree on the number of District Taco Restaurants that you or your Controlled Affiliates must open, and the dates by which you and they must open them, to maintain your territorial rights and insert this information in the Development Agreement before signing it. If you fully

comply with the Development Agreement, we will grant you and your Controlled Affiliates franchises to open and operate the agreed-upon number of District Taco Restaurants specified on the Development Schedule. Franchises that we grant to your Controlled Affiliates will count toward your Development Schedule. You and your Controlled Affiliates may not develop District Taco Restaurants outside the Development Area.

If you are complying with the Development Agreement, and you and your affiliates are complying with all Franchise Agreements and other agreements between us (or our affiliate) and you (or your affiliates), then, during the Development Agreement's term only, neither we nor our affiliates will operate, or authorize any other party to operate, District Taco Restaurants, the physical premises of which are located within the Development Area, except for District Taco Restaurants located at Non-Traditional Locations. We and our affiliates may at all times engage in any activities we or they deem appropriate that the Development Agreement does not expressly prohibit, whenever and wherever we or they desire. Because we may operate and authorize others to operate District Taco Restaurants at Non-Traditional Locations in the Development Area, you will not receive an exclusive territory. As a result, you, and the District Taco Restaurants you (and your Controlled Affiliates) develop under the Development Agreement, may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

To maintain your rights under the Development Agreement, you must both sign a Franchise Agreement for each District Taco Restaurant and open and begin operating that DT Restaurant according to the applicable Franchise Agreement by the dates listed in the Development Schedule. If you need an extension, you must submit a written request and a \$10,000 extension fee to us before the applicable deadline. We may terminate the Development Agreement, if you fail to meet the Development Schedule and do not correct the breach within 30 days after we deliver notice of the breach to you. In addition, to retain your rights under the Development Agreement, each District Taco Restaurant it covers must operate continuously once opened during the agreement's term, otherwise we may terminate the Development Agreement. Site selection procedures and the Primary Area of Responsibility (as defined below) for each Restaurant will be determined in accordance with the terms of the applicable Franchise Agreement. We will determine the Primary Area of Responsibility, and whether to accept or reject proposed sites, based on our then-current standards.

Except for these situations, continuation of your territorial rights in the Development Area does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Development Area or modify your territorial rights in the Development Area. You have no options, rights of first refusal or similar rights to acquire additional franchises under the Development Agreement. When the Development Agreement terminates or expires, we (and our affiliates) may operate, and authorize any other parties to operate, District Taco Restaurants the physical premises of which are located within the Development Area and engage, and allow others to engage, in any other activities we desire within and outside the Development Area without any restrictions whatsoever, subject only to your (or your Controlled Affiliates') rights under existing Franchise Agreements with us.

Franchise Agreement

You will operate your DT Restaurant at a specific Site that we first must accept. If your lease expires or is terminated without your fault, or if your DT Restaurant is destroyed, condemned, or otherwise rendered unusable, we will allow you to relocate your DT Restaurant to a new site reasonably acceptable to us. You will relocate at your expense and must comply with the Franchise Agreement's provisions relating to development of the new location and de-identification of the old location. You must reimburse us for our reasonable costs incurred in the relocation.

If you have not yet located an accepted Site when you sign the Franchise Agreement, we will designate a "**Site Selection Area**" when you sign the Franchise Agreement. The Site Selection Area is the area within which you must look for and obtain your Site. We typically identify Site Selection Areas using geographical boundaries.

There is no minimum size for a Site Selection Area. You must propose a suitable site in the Site Selection Area within 30 days after signing the Franchise Agreement. You must obtain our acceptance of the Site and sign the lease that we have accepted for the Site and the Lease Rider attached to the Franchise Agreement as Exhibit D within 6 months after the Franchise Agreement's effective date. Failure to obtain our acceptance of the site, sign the lease, and arrange for execution of the lease rider on time will constitute a default under the Franchise Agreement.

After you sign a lease for the Site that we have accepted (if you have not located an accepted Site when you sign the Franchise Agreement), or upon signing the Franchise Agreement (if you have located an accepted Site at that time), we will define your protected territory (the "**Primary Area of Responsibility**") using our then standard criteria based on factors that we deem relevant, which might include demographics and/or the character of the Site. Your Primary Area of Responsibility will be limited to either (a) the contiguous property controlled by the landlord within which your DT Restaurant is located, if applicable, or (b) if your DT Restaurant is not located within such a contiguous property, the Site. The Primary Area of Responsibility will be smaller than the Site Selection Area. Your Primary Area of Responsibility may be as small as the specific physical space occupied by your DT Restaurant or the shopping center in which your DT Restaurant is located. Once we define the Primary Area of Responsibility, you will have no further territorial or other rights in those portions of the Site Selection Area that are outside the Primary Area of Responsibility under the Franchise Agreement. However, you may still have rights in the Territory (which includes the Site Selection Area) under the Development Agreement.

You must meet certain minimum performance levels during the term of the Franchise Agreement (the "**Performance Standards**") to maintain your rights in the Primary Area of Responsibility. Your Performance Standards in the Primary Area of Responsibility are as follows for the following time periods during the term:

Time Period	Gross Sales (non-cumulative)
Year 1	\$1.0 million
Year 2	\$1.1 million
Year 3 and thereafter	\$1.2 million

Year 1 begins on the Opening Date and ends on the day before the first anniversary of the Actual Opening Date. Each subsequent year begins on the anniversary of the Opening Date and ends on the day before the next anniversary of the Opening Date. If you do not achieve the Performance Standards during any year, then you must (i) pay to us the difference between the Royalties actually paid and the Royalties that would have been paid had you achieved the Performance Standards, and (ii) develop and implement a business plan that we must approve in writing to improve performance. If you do not achieve the Performance Standards for 2 consecutive years, it will be a default under the Franchise Agreement entitling us, in addition to any other remedies, to terminate the Franchise Agreement.

If you are complying with the Franchise Agreement and meet our Performance Standards, neither we nor our affiliates will operate, or authorize any other party to operate, a District Taco Restaurant the physical premises of which are located within your Primary Area of Responsibility, except for District Taco Restaurants located at Non-Traditional Locations. “**Non-Traditional Locations**” means locations that generate customer traffic flow that is generally independent from the general customer traffic flow of the surrounding area, including military bases, shopping malls, industrial or office facilities, hotels, college and university buildings, airports, train stations, travel plazas, toll roads, casinos, hospitals and other medical centers, amusement parks, and stadiums and other sports and entertainment venues. Because we may operate and authorize others to operate District Taco Restaurants at Non-Traditional Locations in the Primary Area of Responsibility, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

At all times, we and our affiliates have the right to engage in any activities we or they deem appropriate that the Franchise Agreement does not expressly prohibit, whenever and wherever we or they desire. This includes:

(a) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions we deem appropriate, District Taco Restaurants or any other Mexican restaurants or similar businesses at any locations outside the Primary Area of Responsibility and District Taco Restaurants at any Non-Traditional Locations within or outside the Primary Area of Responsibility;

(b) all rights relating to the Marks, and all products and services associated with any of the Marks, in any methods of distribution, except as specifically set forth above. This includes providing, and granting rights to others to provide (except as specifically set forth above), products and services that are similar or dissimilar to, or competitive with, any products and services that District Taco Restaurants provide, whether identified by the Marks or other trademarks or service marks, regardless of the method of distribution (including through the DT Website), and at any locations; and

(c) acquiring the assets or ownership interests of, or being acquired (regardless of the form of transaction) by, a one or more businesses providing products and services similar or dissimilar to those provided at District Taco Restaurants, and franchising, licensing or creating other arrangements with respect to these businesses once acquired,

wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, whether within or outside the Primary Area of Responsibility.


There are no restrictions on your soliciting and accepting customers from outside your Primary Area of Responsibility or otherwise competing with other District Taco Restaurants which are now, or in the future may be, located outside your Primary Area of Responsibility. Subject to your providing Catering Services and Delivery Services, you may not use other channels of distribution, such as the Internet, catalog sales, telemarketing, and other direct marketing, to make sales (as opposed to advertising and marketing). We and our affiliates may use other channels of distribution, such as the Internet, catalog sales, telemarketing, and other direct marketing, to solicit and make sales to customers in your Primary Area of Responsibility using the Marks and other trademarks without compensating you.


Under the Franchise Agreement, you have no options, rights of first refusal, or similar rights to acquire additional franchises within your Primary Area of Responsibility or contiguous territories. Except as discussed above, continuation of your location exclusivity in the Primary Area of Responsibility does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Primary Area of Responsibility except as part of the franchise renewal process. Neither we nor our affiliates operate, franchise, or have present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those that District Taco Restaurants offer, although we and they have the right to do so.

Item 13

TRADEMARKS

We grant you the non-exclusive right under the Franchise Agreement to use and display the Marks in operating, marketing, and advertising your DT Restaurant. Our affiliate registered certain of the following principal Marks on the Principal Register of the United States Patent and Trademark Office (the “PTO”):

Mark	Registration Number	Date Registered	Affidavits Filed?	Registration Renewed?
	4491155	March 4, 2014	Yes	Not due
DT	4491154	March 4, 2014	Yes	Not due
DISTRICT TACO	4375748	July 30, 2013	Yes	Not due

Mark	Registration Number	Date Registered	Affidavits Filed?	Registration Renewed?
	4303605	March 19, 2013	Yes	Not due

Our Parent has licensed us the right to use the Marks and to sublicense the use of the Marks to you and other franchisees for the operation of District Taco Restaurants under a license agreement dated December 1, 2020 (the “**Trademark License Agreement**”). The Trademark License Agreement’s term is 10 years and automatically renews on a year-to-year basis. We or our Parent may terminate the Trademark License Agreement on 30 days’ notice. The Trademark License Agreement contains no other limitations. No other agreement significantly limits our rights to use or license the use of the Marks in a manner material to the franchise.

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, any state trademark administrator, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the Marks. We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks.

You must follow our rules and DT Standards when using the Marks. You must notify us immediately of any actual or apparent infringement of or challenge to your use of any Mark, or of any person’s claim of any rights in any Mark. You may not communicate with any person other than us, our attorneys, our Parent and its attorneys, and your attorneys, regarding any infringement, challenge or claim. We or our Parent may take the action that we or it deems appropriate (including no action) and control exclusively any litigation, PTO proceeding or other proceeding relating to any infringement, challenge or claim or otherwise concerning any Mark. You must sign any documents and take any reasonable actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our and our Parent’s interests in any litigation or PTO or other proceeding or otherwise to protect and maintain our and our Parent’s interests in the Marks. At our option, we or our Parent may defend and control the defense of any litigation or proceeding relating to any Mark.

We will reimburse you for all damages and expenses you incur or for which you are liable in any proceeding challenging your right to use any Mark, but only if your use is consistent with the Franchise Agreement, the DT Manual and DT Standards and you have timely notified us of, and comply with our directions in responding to, the proceeding.

If we believe at any time that it is advisable for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your expenses in complying with these directions (such as costs you incur in

changing your DT Restaurant's signs or replacing supplies), for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

The Development Agreement does not grant you any rights to use the Marks. You derive the right to use the Marks only under the Franchise Agreement.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or patent applications currently exist that are material to the franchise. We claim copyrights in the DT Manual, advertising, training and promotional materials, and similar items used in operating your DT Restaurant. We have not registered these copyrights with the U.S. Registrar of Copyrights but need not do so at this time to protect them. You may use these materials only as we specify while operating your DT Restaurant and must modify or discontinue using them as we direct.

There currently are no effective determinations of the PTO, United States Copyright Office or any court regarding any of the copyrighted materials. No agreement limits our right to use or license the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your using the copyrighted materials. We need not protect or defend copyrights or take any action if notified of infringement, and you have no obligation to notify us of any infringement. We may take the action we deem appropriate (including no action) and exclusively control any proceeding involving the copyrights. No agreement requires us to participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright or claims arising from your use of copyrighted items.

We will disclose certain Confidential Information to you during the Franchise Agreement's term. "**Confidential Information**" includes development plans for District Taco Restaurants; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating District Taco Restaurants, including recipes, food preparation techniques, and formulas for proprietary sauces, salsas and mixes; marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for District Taco Restaurants; knowledge of specifications for and suppliers of, and methods of ordering, certain Restaurant Assets and other products that District Taco Restaurants use and/or sell; knowledge of the operating results and financial performance of District Taco Restaurants other than your DT Restaurant; customer communication and retention programs, along with data used or generated in connection with those programs, including Customer Data; and any other information we reasonably designate as confidential or proprietary. However, Confidential Information does not include information, knowledge or know-how that is or becomes generally known in the restaurant industry (without violating an obligation to us or our affiliate) or that you knew from previous business experience before we provided it to you or before you began training or operating your DT Restaurant. If we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that this exclusion is fulfilled.

The Confidential Information is proprietary and includes our trade secrets. You and your owners (a) may not use any Confidential Information in any other business or capacity, whether during or after the Franchise Agreement's term; (b) must keep the Confidential Information absolutely confidential, both during the Franchise Agreement's term and after for as long as the information is not in the public domain other than as set forth in subsection (d) and in connection with any judicial or administrative proceeding, or when such information is subpoenaed or otherwise required by law or a court order; (c) may not make unauthorized copies of any Confidential Information disclosed in written or other tangible or intangible form; (d) must adopt and implement all reasonable procedures that we periodically designate to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to DT Restaurant personnel and others needing to know the Confidential Information to operate your DT Restaurant, including, without limitation, your contractors having the explicit need to know such information, and using confidentiality agreements with those having access to Confidential Information. We may regulate the form of agreement that you use and be a third party beneficiary of that agreement with independent enforcement rights; and (e) may not sell, trade or otherwise profit in any way from the Confidential Information, except during the Franchise Agreement's term using methods we approve.

You must comply with the DT Standards, other directions from us, prevailing industry standards (including payment card industry data security standards), all contracts to which you are a party or otherwise bound, and all applicable laws and regulations regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Data on your Computer System or in your possession or control. You also must employ reasonable means to safeguard the confidentiality and security of Customer Data. "**Customer Data**" means names, contact information, financial information, ordering history and other personal information of or relating to your DT Restaurant's customers and prospective customers. If there is a suspected or actual breach of security or unauthorized access involving your Customer Data ("**Data Security Incident**"), you must notify us immediately after becoming aware of it and specify the extent to which Customer Data was compromised or disclosed. You must comply with our instructions in responding to any Data Security Incident. We have the right, but no obligation, to control the direction and handling of any Data Security Incident and any related investigation, litigation, administrative proceeding or other proceeding at your expense.

We and our affiliates may, through the Computer System or other means, have access to Customer Data. During and after the Franchise Agreement's term, we and our affiliates may make all disclosures and use the Customer Data in our and their business activities and in any manner that we or they deem necessary or appropriate. You must secure from your vendors, customers, prospective customers and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit the Customer Data to us and our affiliates and for us and our affiliates to use that Customer Data in the manner that the Franchise Agreement contemplates.

You must promptly disclose to us all new ideas, concepts, techniques, innovations and materials relating to a District Taco Restaurant that you or your owners, employees or contractors create (each an "**Advancement**"). Each Advancement is our sole and exclusive property, part of the Franchise System, and works made-for-hire for us. If any Advancement does not qualify as a work made-for-hire for us, you assign ownership of that Advancement, and all related rights to

that Advancement, to us and must sign (and cause your owners, employees and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Advancement. We and our affiliates have no obligation to make any payments to you or any other person for any Advancement. You may not use any Advancement in operating your DT Restaurant or in any other way without our prior approval.

The Development Agreement does not grant you any right to use our copyrighted materials or Confidential Information. You derive the right to use these items only under a Franchise Agreement with us.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Franchise Agreement

Only you are authorized to operate your DT Restaurant. You must operate your DT Restaurant for the Franchise Agreement's entire term and at all times faithfully, honestly and diligently perform your obligations and fully exploit the rights granted under the Franchise Agreement.

At all times you must have an Operating Principal and General Manager for your DT Restaurant. The "**Operating Principal**" means either: (a) you, if you are an individual, (b) one individual who signs the Franchise Agreement whom you designate and we approve, if you are a group of individuals, or (c) an individual whom you designate and we approve and who has an equity interest in the franchise business, if you are an Entity. The "**General Manager**" means either the Operating Principal or an individual whom you designate to serve as your DT Restaurant's general manager.

If you are an individual or group of individuals, no other individual or entity may direct or control the direction of the management of your DT Restaurant or its business or to share in the revenue, profits or losses of, or any capital appreciation relating to, your DT Restaurant or its business. The Operating Principal must devote sufficient time and attention to the operation of, and to promote and enhance, your business under this Franchise Agreement, and will be our primary point of contact. The General Manager must devote substantially all of his or her business time and attention to the on-premises management and operation of your DT Restaurant. If you are a group of individuals and the Operating Principal no longer serves in that capacity for any reason, then you must designate a new replacement who signed the Franchise Agreement and whom we approve, and ensure that such new Operating Principal satisfactorily completes the training we then require within 60 days.

If you are an entity, the Operating Principal will serve as your DT Restaurant's development and operational manager. The Operating Principal must devote sufficient time and attention to the operation and management of, and to promote and enhance, the DT Restaurant (and any other DT Restaurants you or your affiliates operate). The General Manager must devote substantially all of his or her business time and attention to the on-premises management and

operation of your DT Restaurant. If the General Manager no longer serves in that capacity for any reason, then you must designate a replacement General Manager immediately and ensure that such new General Manager satisfactorily completes the training that we then require, within 60 days thereafter.

The Operating Principal, General Manager, and Multi-unit Manager, if applicable must complete the initial training program to our satisfaction. “Multi-Unit Manager” is any person who oversees the operation of more than one DT Restaurant. Each of your owners must sign a guaranty promising to be personally bound, jointly and severally, by all of Franchise Agreement’s provisions and any ancillary agreements between you and us. The Operating Principal and all of your DT Restaurant’s employees having access to Confidential Information must sign agreements in a form we reasonably specify under which they agree to comply with the confidentiality restrictions in the Franchise Agreement.

Development Agreement

You must develop your Development Area according to the Development Schedule. Your Operating Principal and Multi-Unit Manager, if applicable, must personally supervise your development of District Taco Restaurants. Under the Development Agreement your personnel other than the Operating Principal need not have an equity interest in any District Taco Restaurant or in you.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Your DT Restaurant must offer all products (including menu items and items for retail sale) and services that we periodically specify as being mandatory, subject to any reasonable restrictions in the applicable lease. You may not offer, sell, or provide at your DT Restaurant, the Site or any other location any products or services that we have not authorized. You must discontinue offering, selling or providing any products or services that we at any time may disapprove. You may not sell any products at wholesale without our written consent nor offer products or services from any location other than the Site, except for Catering Services, without our approval. You must provide your DT Restaurant’s products and services to customers by alternative means such as through pick-up, carry-out, catering or delivery arrangements according to the DT Standards as we periodically require. We may periodically change the types of goods and other authorized services and products for your DT Restaurant and there are no limits on our right to make changes.

You may provide, at your option, Catering Service from your DT Restaurant according to the DT Standards and the Franchise Agreement. You must provide, and/or contract with others to provide, Delivery Service from your DT Restaurant according to DT Standards and the Franchise Agreement. You must not establish another outlet or property (other than the Site) for the Catering Service or Delivery Service nor provide Catering Service or Delivery Service to customers at or from Non-Traditional Locations without our prior consent. You may determine the geographic area within which you will offer Catering Service and Delivery Service if you ensure your customers receive high quality products prepared and maintained according to the DT Standards. You will not receive any exclusive, protected or other territorial rights with respect to deliveries.

We and our affiliates may provide, or authorize others to provide, delivery services in the geographic area in which you provide Delivery Service and the Primary Area of Responsibility. You and third-party providers must maintain the condition, appearance, and maintenance of the vehicles, serveware, technology and equipment used for Catering Services and Delivery Services according to DT Standards. If you or your affiliates directly provide Catering Services or Delivery Services, you must ensure that all catering and delivery operators comply with applicable laws and maintain adequate insurance according to our specifications, which may change periodically.

The DT Standards may regulate, and periodically specify, maximum, minimum, or other pricing requirements for products and services that your DT Restaurant offers, including requirements for promotions, special offers and discounts in which some or all District Taco Restaurants participate, to the maximum extent the law allows; music played at your DT Restaurant; standards, requirements and procedures for participating in, and accepting orders through, the Order Intake Systems; requirements for pick-up and carry-out orders including parking requirements, signage, landscaping, lighting, form and use of technology, safety precautions (such as the use of gloves and masks), and other aspects of pick-up and carry-out orders; and issuing and honoring gift certificates, gift cards, stored value cards and similar items and participating in other promotions, including any customer loyalty programs and promotions and procedures for resolving customer complaints.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	2.A and 15.C of Franchise Agreement; 11 of Development Agreement	Franchise Agreement expires 10 years after effective date. If you continue operating after expiration, we may treat the term as extended on a week-to-week basis until either we or you deliver 30 days' written notice ending that extension. Development Agreement expires when the final Franchise Agreement for a DT Restaurant is signed.
b. Renewal or extension of the term	15.A of Franchise Agreement	Under the Franchise Agreement you may acquire 1 successor franchise of 10 years if you have complied with your obligations under the Franchise Agreement and other agreements, you provide written notice within the provided time periods, you demonstrate the right to maintain possession of the Site for at least 10 years following expiration, and you have renovated and/or remodeled your DT Restaurant to meet then-current requirements for new similarly situated District Taco Restaurants.

Provision	Section in franchise or other agreement	Summary
c. Requirements for franchisee to renew or extend	15.B of Franchise Agreement	Under the Franchise Agreement, you must sign our then-current form of Franchise Agreement (which may be materially different from the Franchise Agreement), pay us successor franchise fee (which is equal to the then-current initial franchise fee) and sign a release (to the extent state law allows). “Renewal” under the Franchise Agreement means signing our then-current Franchise Agreement, which could contain materially different terms (including on Territory and fees).
d. Termination by franchisee	16.A of Franchise Agreement; Development Agreement	You may terminate the Franchise Agreement if we materially breach and fail to cure within 30 days after notice or, if we cannot reasonably correct the breach in 30 days, then if we do not cure within a reasonable time. You have no right to terminate the Development Agreement except as applicable law allows.
e. Termination by franchisor without cause	Not applicable	We may not terminate the Franchise Agreement or Development Agreement without cause.
f. Termination by franchisor with cause	16.B of Franchise Agreement and 12 of Development Agreement	We may terminate the Franchise Agreement and Development Agreement if you or your owners commit any one of several violations.
g. “Cause” defined – curable defaults	16.B of Franchise Agreement and 12 of the Development Agreement	<p>Under the Franchise Agreement you have 24 hours to fully cure violations of law; 10 days after payment default or 5 days after we deliver written notice of payment default, whichever is soonest, to fully cure payment defaults, , and 30 days to cure other defaults not listed in (h) below.</p> <p>Under the Development Agreement, you have 30 days after we deliver written notice to you to cure your failure to comply with the Development Schedule or other provision of the Development Agreement.</p>
h. “Cause” defined – non-curable defaults	16.B of Franchise Agreement and 12 of Development Agreement	Non-curable defaults under the Franchise Agreement include material misrepresentation or omission, abandonment or failure actively to operate, surrender or transfer of your or your DT Restaurant’s control, conviction of or pleading no contest to a felony, any dishonest, unethical or illegal conduct that adversely impacts reputation or goodwill, interference with our rights to inspect your DT Restaurant or audit books and records, unauthorized transfer, failure to achieve the Performance Standards for 2 consecutive years, termination of another franchise or other agreement other than Development Agreement, violation of non-compete or confidentiality restrictions, failure to pay taxes, suppliers or lenders, repeated defaults and bankruptcy-related events. We may not terminate the Franchise Agreement upon termination of the Development Agreement.

Provision	Section in franchise or other agreement	Summary
		Non-curable defaults under the Development Agreement include material misrepresentation or omission, conviction of or pleading no contest to a felony, any dishonest, unethical or illegal conduct that adversely impacts reputation or goodwill, and breach or default of any agreement with you or your affiliate, including a Franchise Agreement.
i. Franchisee’s obligations on termination/ non-renewal	17 of Franchise Agreement	Pay amounts due (including liquidated damages), stop identifying as our franchisee or using Marks or similar marks, de-identify your DT Restaurant, cease using Confidential Information, and return DT Manual (see also (o) and (r) below).
j. Assignment of contract by franchisor	14.A of Franchise Agreement and 13 of Development Agreement	We may assign agreements and change our ownership or form without restriction.
k. “Transfer” by franchisee - defined	14.B of Franchise Agreement and 14 of Development Agreement	Includes transfer of any interest in the Franchise Agreement or Development Agreement, your DT Restaurant or its assets or your business, or any direct or indirect ownership interest in you if you are an entity.
l. Franchisor approval of transfer by franchisee	14.B to 14.H of Franchise Agreement and 14 of Development Agreement	<p>No transfers under the Franchise Agreement or Development Agreement without our approval.</p> <p>Under the Development Agreement, we may grant or withhold our approval for any reason.</p>
m. Conditions for franchisor approval of transfer	14.B to 14.H of Franchise Agreement and 14 of Development Agreement	<p>Under the Franchise Agreement, you provide notice and information to us at least 30 days before proposed transfer, sign a general release (to the extent state law allows), transferee and its owners meet standards and have no ownership interest in or perform services for a competitive business, transferring owners agree not to use Marks or compete, transferee and owners demonstrate they have experience and resources under Development Agreement, new personnel complete training, transferee or you repair and/or replace the Restaurant Assets and upgrade your DT Restaurant and Site under Franchise Agreement, transferee (at our option) either agrees to be bound by current Franchise Agreement and Development Agreement or signs our then-current form of agreement and related documents (which may contain different provisions), you pay transfer fee of \$5,000 for each Franchise Agreement and Development Agreement, price and payment terms do not adversely affect operation, and transferee subordinates obligations.</p> <p>If a Development Agreement covers a Franchise Agreement, we may condition our approval of any transfer on the simultaneous transfer to the transferee of other rights, interests, obligations, assets, and/or ownership interests so that following the proposed</p>

Provision	Section in franchise or other agreement	Summary
		transfer, the transferee owns and operates all the District Taco Restaurants in the Development Area.
n. Franchisor's right of first refusal to acquire franchisee's business	14.H of Franchise Agreement	We have the right to match offers under certain conditions. We may elect to purchase not only the interest proposed to be sold, but also the entirety of the interests in the Franchise Agreement, your DT Restaurant or ownership interests in you.
o. Franchisor's option to purchase franchisee's business	17.E of Franchise Agreement	We may purchase the Restaurant's assets for fair market value when the Franchise Agreement expires or terminates and manage your DT Restaurant pending our purchase.
p. Death or disability of franchisee	14.F of Franchise Agreement	Must transfer to an approved transferee within 6 months upon the death or disability of the Operating Principal and within 12 months all other owners.
q. Non-competition covenants during the term of the franchise	13 of Franchise Agreement and 10(a) of Development Agreement	No owning interest in, providing services for, loaning or leasing to, or diverting DT Restaurant business or customers to a competitive business.
r. Non-competition covenants after the franchise is terminated or expires	17.D of Franchise Agreement and 10(b) of Development Agreement	Under the Franchise Agreement, for 2 years, no owning interest in or providing services for a competitive business at the Site, within 25 miles of the Site, or within 25 miles of any other District Taco Restaurant. Under the Development Agreement, for 2 years, no owning interest in or providing services for a competitive business within 25 miles of the former Development Area or any other District Taco Restaurant.
s. Modification of the agreement	19.J of Franchise Agreement and 16 of Development Agreement	Modifications only by written agreement of the parties, but we may change the DT Manual, DT Standards and Franchise System.
t. Integration/merger clause	19.L of Franchise Agreement and 16 of Development Agreement	Only terms of the agreements are binding (subject to state law). Any representations or promises made outside of the disclosure document and those agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	19.F of Franchise Agreement and 16 of Development Agreement	We and you must arbitrate all disputes within 10 miles of our then-current principal business address (currently Falls Church, Virginia) (subject to state law).
v. Choice of forum	19.H of Franchise Agreement and 16 of Development Agreement	Subject to arbitration obligations, litigation is in the state and county of our then-current principal business address (currently Fairfax, Virginia) (subject to state law).
w. Choice of law	19.G of Franchise Agreement and 16 of Development Agreement	Except for Federal Arbitration Act and other federal law, Virginia law applies to all claims (subject to state law).

Item 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

This Item 19 includes information regarding District Taco Restaurants operated by our affiliate, DTL, which, for purposes of this Item 19, will be referred to as “**Company-operated Restaurants**,” for calendar year 2023.

As of the end of 2023, there were 13 Company-operated Restaurants, two of which were closed for part of 2023 for repairs (including to equipment), and other site-specific reasons. The 2023 tables below describe the financial performance of the 11 Company-operated Restaurants that operated for all of 2023.

For purposes of this Item 19, each applicable Company-operated Restaurant has been categorized as located in either an “**Urban Market**” or a “**Suburban Market**,” each as defined in the Notes accompanying this Item 19 below. Company-operated Restaurants included in this Item 19 are substantially similar to your DT Restaurant in appearance and in the products and services offered.

**AVERAGE GROSS SALES AND PRIME COSTS
FOR COMPANY-OPERATED RESTAURANTS FOR 2023**

The following table includes the actual, historical average Gross Sales for 2023 for Company-operated Restaurants for Urban Markets, Suburban Markets, and all markets, as well as the percentage and number of Company-operated Restaurants attaining or exceeding the average Gross Sales, the median Gross Sales, and the highest and lowest Gross Sales.

2023 Annual Average Gross Sales

	All Markets	Urban Markets	Suburban Markets
# of Restaurants	11	5	6
Average Gross Sales	\$1,932,704	\$2,047,067	\$1,837,402
#/% Attaining or Exceeding Average Gross Sales	6 / 55%	2 / 40%	3 / 50%
Highest Gross Sales	\$3,146,534	\$3,146,534	\$2,467,591
Lowest Gross Sales	\$1,016,816	\$1,053,791	\$1,016,816
Median Gross Sales	\$1,985,813	\$1,985,813	\$1,938,091

The following table includes the actual, historical average Gross Sales by tertile for 2023 for Company-operated Restaurants, as well as the percentage and number of Company-operated Restaurants attaining or exceeding the average Gross Sales, the median Gross Sales, and the highest and lowest Gross Sales within each tertile.

2023 Gross Sales by Tertile			
	Top Tertile	Middle Tertile	Bottom Tertile
# of Restaurants	3	4	4
Average	\$2,737,928	\$2,049,920	\$1,211,571
#/% Attaining or Exceeding Average Gross Sales	1 / 33.3%	2 / 50%	2 / 50%
Highest Gross Sales	3,146,534	2,337,685	1,449,537
Lowest Gross Sales	2,467,591	1,763,570	1,016,816
Median Gross Sales	2,599,659	2,049,213	1,189,965

The following table includes the actual, historical average Cost of Goods Sold as a percentage of Gross Sales and Labor Costs as a percentage of Gross Sales for 2023 for the Company-operated Restaurants, for Urban Markets, Suburban Markets, and all markets, as well as the percentage and number of Company-operated Restaurants attaining or exceeding the average COGS and Labor Costs percentages, the median COGS and Labor Costs percentages, and the highest and lowest COGS and Labor Costs percentages.

2023	COGS % of Gross Sales			Labor % of Gross Sales		
	All Markets	Urban Markets	Suburban Markets	All Markets	Urban Markets	Suburban Markets
# of Restaurants	11	5	6	11	5	6
Average	27.7%	27.3%	28.1%	30.3%	30.5%	30.1%
#/% Attaining or Exceeding Average	5 / 45%	3 / 60%	2 / 33%	3 / 27%	2 / 40%	1 / 17%
Highest	29.7%	28.4%	29.7%	35.7%	35.4%	35.7%
Lowest	26.2%	26.2%	26.9%	27.5%	28.2%	27.5%
Median	27.7%	27.6%	27.7%	29.6%	28.9%	29.6%

NOTES TO ITEM 19:

1. Gross Sales. As used in this Item 19, Gross Sales has the same meaning as stated in Item 6. Specifically, “**Gross Sales**” means all revenue that the restaurant receives or otherwise derives from operations, whether from cash, check, credit and debit card, barter, exchange, trade credit, or other credit transactions, including any implied or imputed Gross Sales from any business interruption insurance and all revenue from selling products intended for off-premises consumption or use and from providing Catering Service and Delivery Service (each as defined in Item 6). However, “Gross Sales” excludes (a) sales taxes, use taxes, and other similar taxes added to the sales price, collected from the customer and paid to the appropriate taxing authority; and (b) proceeds from the sale of used trade fixtures. Each charge or sale upon credit constitutes a sale for the full price on the day during which the charge or sale is made, regardless of when payment is received (whether full or partial, or at all) on that sale. Gift certificate, gift card, stored value card or similar program payments count as Gross Sales when the gift certificate, other instrument or applicable credit is redeemed.
2. Cost of Goods Sold. “**Cost of Goods Sold**” includes all costs for food and food-related supplies and packaging. Cost of Goods Sold varies depending on a Restaurant’s location, menu, product promotions, variances in suppliers’ prices, volume purchases, frequency of delivery, and temporary shortages.
3. Labor Costs. “**Labor Costs**” includes the front-of-house labor, back-of-house hourly labor, and the salaries for the General Manager and other managers at each Restaurant. Labor Costs also include payroll taxes for these employees, and benefits for eligible employees, including bonuses and accrued paid leave. We have excluded our costs for multi-unit managers, as the Operating Principal is anticipated to be functioning as a

multi-unit manager (as applicable). And, note that this category does not include any salaries or other costs for the Operating Principal.

4. **Some outlets have sold or spent this amount. Your individual results may differ. There is no assurance that you'll sell or earn as much.**
5. To be categorized as located in an “**Urban Market**,” the Restaurant must be (a) located in a shopping center or development project that does not have free surface lot parking, and (b) located less than one-half of a mile from a train stop. To be categorized as located in a “**Suburban Market**,” the Restaurant must be (x) located in a shopping center or development project that has free surface lot parking, or (y) located more than one-half of a mile from a train stop.
6. Written substantiation for the financial performance representations in this Item 19 will be made available to the prospective franchisee upon reasonable request.
7. We strongly suggest that you consult your own financial advisor or personal accountant and conduct an independent investigation of the costs and expenses you will incur in operating a District Taco Restaurant.
8. We have not made permanent, material changes to our franchise concept as a result of the COVID-19 pandemic. We have, however, reduced the size of our prototypical District Taco Restaurant and implemented programs to reduce in-house labor dependency. In addition, we have emphasized the availability of to go and delivery orders at the Restaurants.

Other than the preceding financial performance representations, District Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Company-operated Restaurant, however, we may provide you with the actual records of that restaurant. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Chris Medhurst, our Chief Operating Officer, 2890 Emma Lee St., Falls Church, Virginia, (703) 560-0369; the Federal Trade Commission; and/or the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

All numbers appearing in Tables 1 through 5 below are as of December 31 in each year. Our affiliate, DTL, operates the District Taco Restaurants listed as “company-owned.”

Table No. 1
Systemwide Outlet Summary
For years 2021 to 2023

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	2	+2
Company-Owned	2021	14	15	+1
	2022	15	14	-1
	2023	14	13	-1
Total Outlets	2021	14	15	+1
	2022	15	14	-1
	2023	14	15	+1

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2021 to 2023

Column 1 States	Column 2 Year	Column 3 Number of Transfers
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Table No. 3

Status of Franchised Outlets
For years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations -Other Reason	Column 9 Outlets at End of Year
Virginia	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
TOTALS	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2

Table 4

Status of Company-Owned Outlets
For years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets Opened	Column 5 Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
Maryland	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
Pennsylvania	2021	2	1	0	0	0	3
	2022	3	0	0	1	0	2
	2023	2	0	0	0	0	2
Virginia	2021	6	0	0	0	0	6
	2022	6	0	0	0	0	6
	2023	6	0	0	1	0	5
Washington D.C.	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4
Totals	2021	14	1	0	0	0	15
	2022	15	0	0	1	0	14
	2023	14	0	0	1	0	13

Table No. 5
Projected Openings as of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Florida	1	1	0
New Jersey	1	3	0
New York	1	1	0
Virginia	1	4	0
TOTALS	4	9	0

A list of the names of all of our franchisees and the addresses and telephone numbers of their District Taco Restaurants can be found in Exhibit E. In Exhibit F, is a list of the names, cities and states, and last known home or business telephone numbers of the franchisees who had an outlet terminated, transferred, canceled, or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement with us, during the previous fiscal year or who have not communicated with us within 10 weeks of our then-current disclosure document’s issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees have signed agreements with confidentiality clauses during the last three years. There are no trademark-specific franchisee organizations associated with the District Taco Restaurant franchise network.

Item 21

FINANCIAL STATEMENTS

Exhibit G contains our audited financial statements as of December 31, 2023, 2022, and 2021 and for the years ended December 31, 2023, 2022, and 2021.

Our fiscal year end is December 31.

Item 22

CONTRACTS

The following agreements are exhibits to this disclosure document:

1. Franchise Agreement – Exhibit B
2. Development Agreement – Exhibit C
3. Current form of Release signed on renewal/transfer – Exhibit H

4. State-Specific Riders to Franchise Agreement – Exhibit I

Item 23

RECEIPT

Our and your copies of the Franchise Disclosure Document Receipt are the last pages of this disclosure document.

EXHIBIT A

TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau

State	State Agency	Agent for Service of Process
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8222 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard State Capitol, 14 th Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B

TO THE FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

DISTRICT TACO® RESTAURANT

FRANCHISE AGREEMENT

Franchisee Name

Address of Restaurant

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
1. Introduction.....	1
2. Grant of Franchise Rights	1
2.A. Grant of Franchise and Term	1
2.B. Best Efforts	1
2.C. Participation for Individual or Business Entity Franchisee	2
3. Site Acceptance, Development and Opening of Restaurant	3
3.A. Site Selection	3
3.B. Lease Requirements	4
3.C. Primary Area of Responsibility	5
3.D. Developing and Equipping your DT Restaurant.....	5
3.E. Computer System.....	6
3.F. Restaurant Opening.....	6
3.G. Restaurant Relocation	7
4. Territorial Rights.....	7
4.A. Territorial Rights.....	7
4.B. Rights We Maintain	7
5. Training and Assistance	8
5.A. Initial Training Program	8
5.B. Opening Trainer	8
5.C. Ongoing Training.....	8
5.D. Fees and Expenses During Training	9
5.E. General Guidance.....	9
5.F. DT Manual and DT Standards	10
5.G. Delegation of Performance	10
6. Fees	10
6.A. Initial Franchise Fee.....	10
6.B. Royalty	10
6.C. Definition of Gross Sales	10
6.D. Automatic Debit.....	11
6.E. Late Payment or Reporting Fee	11
6.F. Interest on Late Payments.....	11
6.G. Taxes on Your Payments	11
7. Restaurant Operation and DT Standards.....	12
7.A. Condition and Appearance of Restaurant	12
7.B. Products and Services your DT Restaurant Offers	12
7.C. Approved Products, Distributors and Suppliers.....	13
7.D. Catering Service and Delivery Service	14

SECTION

PAGE

7.E. Order Intake Systems15

7.F. Compliance with Laws and Good Business Practices15

7.G. Insurance15

7.H. Compliance with DT Standards16

7.I. Performance Standards18

7.J. Modification of Franchise System18

7.K. Customer Complaints and Third-Party Inspections18

8. Marketing18

8.A. Grand Opening Marketing Program18

8.B. Innovation Fund19

8.C. Local Marketing20

8.D. Advertising Cooperatives.....20

8.E. Marketing Spending Requirement21

8.F. Quarterly Marketing Plan21

8.G. DT Website22

8.H. Social Media22

8.I. DT Intranet/Extranet System23

9. Records, Reports and Financial Statements23

10. Inspections, Evaluations and Audits24

10.A. Inspections and Evaluations.....24

10.B. Audits24

11. Marks25

11.A. Ownership and Goodwill of Marks.....25

11.B. Limitations on Your Use of Marks25

11.C. Notification of Infringements and Claims26

11.D. Discontinuance of Use of Marks.....26

11.E. Indemnification for Use of Marks.....26

12. Confidential Information, Customer Data and Innovations.....26

12.A. Confidential Information26

12.B. Customer Data28

12.C. Innovations.....28

13. Exclusive Relationship.....29

14. Transfer29

14.A. Transfer by Us.....29

14.B. Transfer by You – Defined30

14.C. Restaurants Opened Pursuant to Development Agreements30

14.D. Conditions for Approval of Transfer31

14.E. Transfer to a Wholly-Owned Entity32

14.F. Death or Disability33

14.G. Effect of Consent to Transfer.....33

SECTION**PAGE**

14.H.	Our Right of First Refusal.....	33
14.I.	Public and Private Offering Fee.....	34
15.	Successor Franchise Rights.....	34
15.A.	Exercise of Successor Franchise Right.....	34
15.B.	Successor Franchise Documents.....	35
15.C.	Holdover	35
16.	Termination of Agreement.....	35
16.A.	Termination by You.....	35
16.B.	Termination by Us	35
17.	Rights and Obligations Upon Termination or Expiration.....	38
17.A.	Payment of Amounts Owed.....	38
17.B.	De-Identification	38
17.C.	Confidential Information	39
17.D.	Covenant Not to Compete.....	39
17.E.	Our Right to Purchase Restaurant Assets	40
17.F.	Restriction on Sale of Location.....	42
17.G.	Continuing Obligations.....	42
18.	Relationship of the Parties/Indemnification.....	42
18.A.	Independent Contractors	42
18.B.	No Liability for Acts of Other Party.....	43
18.C.	Taxes	43
18.D.	Indemnification and Defense of Claims	43
19.	Enforcement.....	44
19.A.	Severability and Substitution of Valid Provisions.....	44
19.B.	Waiver of Obligations and Force Majeure.....	45
19.C.	Costs and Attorneys' Fees	45
19.D.	Applying and Withholding Payments.....	46
19.E.	Rights of Parties are Cumulative	46
19.F.	Arbitration.....	46
19.G.	Governing Law	47
19.H.	Consent to Jurisdiction.....	48
19.I.	Waiver of Punitive Damages and Jury Trial.....	48
19.J.	Binding Effect and Amendment	48
19.K.	Limitations of Claims	49
19.L.	Construction.....	49
19.M.	The Exercise of Our Judgment	50
20.	Notices and Payments.....	50

SECTION

PAGE

EXHIBITS

- EXHIBIT A-1 -- SITE AND PRIMARY AREA OF RESPONSIBILITY
- EXHIBIT A-2 -- SITE SELECTION TERMS
- EXHIBIT B -- OWNERS
- EXHIBIT C -- GUARANTY AND ASSUMPTION OF OBLIGATIONS
- EXHIBIT D -- LEASE RIDER

DISTRICT TACO® RESTAURANT FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into as of _____ (the “**Agreement Date**”), regardless of the date of the parties’ signatures, between **DISTRICT FRANCHISING, LLC** a Virginia limited liability company with its principal business address at 2890 Emma Lee St., Falls Church, Virginia 22042 (“**we,**” “**us,**” or “**our**”), and _____, whose principal business address is _____ (“**you**” or “**your**”).

1. **Introduction.**

We and our affiliates have developed a method of developing and operating restaurants featuring Yucatan-style Mexican and Latin food and other menu items which are primarily identified by the Marks (defined below) and use the Franchise System (defined below) (collectively, “**District Taco Restaurants**”).

We use, promote and license, and may in the future develop and license, certain trademarks, service marks and other commercial symbols in operating District Taco Restaurants, all of which we may modify periodically (collectively, the “**Marks**”).

We offer franchises to own and operate a District Taco Restaurant using our business system, business formats, product preparation techniques and processes, methods, procedures, signs, music, designs, layouts, trade dress, standards, specifications and Marks, all of which we may improve, further develop and otherwise modify from time to time (collectively, the “**Franchise System**”).

You have applied for a franchise to own and operate a District Taco Restaurant, and we have approved your application relying on all of your representations, warranties and acknowledgments contained in your franchise application and this Agreement.

2. **Grant of Franchise Rights.**

2.A. **Grant of Franchise and Term.** You have applied for a franchise to own and operate a District Taco Restaurant at the location specified on Exhibit A-1 (the “**Site**”), which is located within the territory also described on Exhibit A-1 (the “**Primary Area of Responsibility**”). If the Site and Primary Area of Responsibility are not determined as of the Agreement Date, they will be determined in accordance with Sections 3.A and 3.B of this Agreement. Subject to the terms of this Agreement, we grant you the right and you assume the obligation to develop and operate a District Taco Restaurant at the Site (the “**Restaurant**”), and to use the Franchise System in its operation, for a term beginning on the Agreement Date and ending on the date which is ten (10) years after the Agreement Date (defined below), unless sooner terminated (the “**Term**”).

2.B. **Best Efforts.** Only you are authorized to operate your DT Restaurant. You must operate your DT Restaurant for the entire Term and at all times faithfully, honestly and diligently perform your obligations and fully exploit the rights granted under this Agreement.

2.C. Participation for Individual or Business Entity Franchisee.

(1) At all times, you must have an Operating Principal, General Manager and a Multi-unit Manager, if applicable, for your DT Restaurant. The “**Operating Principal**” means either: (a) you, if you are an individual, (b) one individual who signs this Agreement whom you designate and we approve, if you are a group of individuals, or (c) an individual whom you designate and we approve and who has an equity interest in the franchise business, if you are an Entity. The Operating Principal as of the Agreement Date is listed on Exhibit B. The “**General Manager**” means either the Operating Principal or an individual whom you designate to serve as your DT Restaurant’s general manager. The General Manager as of the date of this Agreement is listed on Exhibit B. The “Multi-unit Manager” means any person, including the operating principal or General manager, that oversees the operation of more than one DT Restaurant.

(2) If you are an individual or group of individuals, then you agree and represent that (a) except for the individual(s) signing this Agreement, no other individual or Entity (defined below) has the right (whether directly or indirectly) to direct or control the direction of the management of your DT Restaurant or its business or to share in the revenue, profits or losses of, or any capital appreciation relating to, your DT Restaurant or its business; (b) in order to maintain the quality and consistency of District Taco Restaurants, the Operating Principal shall devote sufficient time and attention to the operation of, and to promote and enhance, your business under this Agreement and shall be our primary point of contact; and (c) the General Manager will devote substantially all of his/her business time and attention to the on-premises management and operation of the DT Restaurant. If you are a group of individuals and the Operating Principal no longer serves in that capacity for any reason, then you must designate a new replacement who signed this Agreement and whom we approve, and ensure that such new Operating Principal satisfactorily completes the training we require within sixty (60) days thereafter. If the General Manager no longer serves in that capacity for any reason, then you must designate a replacement General Manager immediately, and ensure that such new General Manager satisfactorily completes the training that we then require, within sixty (60) days thereafter. Each Owner must sign a Guaranty and Assumption of Obligations in the form we designate, which will be substantially the same as the form attached as Exhibit C to this Agreement, undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us (a “**Guaranty**”).

(3) If you are at any time a corporation, a limited liability company, a general, limited, or limited liability partnership, or another form of business entity (collectively, an “**Entity**”), you agree and represent that:

(a) your organizational documents, operating agreement, and/or partnership agreement (as applicable) will recite that this Agreement restricts the issuance and transfer of any Ownership Interests (defined below) in you, and all certificates and other documents representing Ownership Interests in you will bear a legend referring to this Agreement’s restrictions. In this Agreement, “**Ownership Interests**” means (i) in relation to a corporation, shares of capital stock (whether

common stock, preferred stock or any other designation) or other equity interests; (ii) in relation to a limited liability company, membership interests or other equity interests; (iii) in relation to a partnership, a general or limited partnership interest; (iv) in relation to a trust, a beneficial interest in the trust; and (v) in relation to any Entity (including those described in (i) through (iv) above), any other interest in that Entity or its business that allows the holder of that interest (whether directly or indirectly) to direct or control the direction of the management of the Entity or its business (including a managing partner interest in a partnership, a manager or managing member interest in a limited liability company, and a trustee of a trust), or to share in the revenue, profits or losses of, or any capital appreciation relating to, your DT Restaurant, that Entity or its business.

(b) Exhibit B to this Agreement completely and accurately describes all of your Owners (defined below) and their Ownership Interests in you. In this Agreement, “**Owner**” means any individual or Entity holding a direct or indirect Ownership Interest (whether of record, beneficially, or otherwise) in you. Each of your Owners must sign a Guaranty. Subject to our rights and your obligations under Section 14, you and your Owners agree to sign and deliver to us revised Exhibits B to reflect any changes in the information that Exhibit B now contains.

(c) The Operating Principal will serve as your DT Restaurant’s development and operational manager. The Operating Principal must devote sufficient time and attention to the operation and management of, and promote and enhance, the DT Restaurant (and any other District Taco Restaurants you or your affiliates operate). If the Operating Principal no longer serves in that capacity for any reason, then you must designate a replacement Operating Principal immediately, and ensure that such new Operating Principal satisfactorily completes the training that we then require, within sixty (60) days thereafter.

(d) The General Manager must devote substantially all of his or her business time and attention to the on-premises management and operation of your DT Restaurant. If the General Manager no longer serves in that capacity for any reason, then you must designate a replacement General Manager, and ensure that such new General Manager satisfactorily completes the training that we then require, within sixty (60) days thereafter.

(e) your DT Restaurant and other District Taco Restaurants, if applicable, will be the only businesses you own or operate (although your Owners and affiliates may have other business interests, subject to Section 13).

3. Site Acceptance, Development and Opening of Restaurant.

3.A. Site Selection.

(1) Within thirty (30) days after the Agreement Date, you must deliver to us for our review a complete site report and other materials and information we request (collectively, the “**Site Report**”) for a suitable site within the “**Site Selection Area**”

identified on Exhibit A-2. Your DT Restaurant must be located at a Site that we have accepted. We will not unreasonably withhold our acceptance of a site that meets our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; other reasonable commercial characteristics; the proposed site's size, appearance, and other physical characteristics; and any other factors we reasonably deem appropriate. In determining whether to accept or reject a proposed site, we also may consider the site's proximity both to the Site Selection Area's boundaries and to other existing or potential sites for District Taco Restaurants located outside the Site Selection Area. We will spend the time and effort and incur the expense reasonably required to consider sites you propose. We will use our reasonable efforts to review and either accept or reject a site you propose within fifteen (15) business days after receiving the complete Site Report.

(2) After we receive the Site Report, we may, as we deem necessary, either on our own initiative or upon your reasonable request, provide you with an on-site evaluation (in person or virtually). We (or our designee) shall provide at no additional charge to you one (1) on-site evaluation for your DT Restaurant if the evaluation is for your (or your affiliate's) first DT Restaurant. If we determine that additional on-site evaluations are necessary or you request additional on-site evaluations, we reserve the right to charge a reasonable fee for such on-site evaluations based upon the reasonable expenses we (or our designee) incur in connection with such on-site evaluations, including, the cost of travel, lodging, meals and other expenses incurred in connection with on-site evaluations.

(3) Despite any assistance, information or recommendations that we provide with respect to the Site, we have made and will make no representations or warranties of any kind, express or implied, of the suitability of the Site for your DT Restaurant or any other purpose. Our recommendation or acceptance indicates only that we believe that the Site meets or has the potential to meet, or that we have waived, our general criteria of Site acceptability as of the Agreement Date. Applying criteria that have appeared effective for other sites might not accurately reflect the potential for all sites, and, after we recommend or accept a Site, demographic and/or other factors included in or excluded from our site criteria could change, thereby altering a site's potential. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if the Site fails to meet our or your expectations. Your acceptance of the rights under this Agreement is based on your own independent investigation of the Site's suitability.

3.B. Lease Requirements. You must obtain our prior written acceptance of the terms of any lease or sublease for the Site (the "**Lease**") before you execute the Lease. The Lease must contain the terms and provisions that are reasonably acceptable to us, including provisions to protect our rights as franchisor. We also require you to arrange for the execution of the Lease Rider in the form attached to Exhibit D (the "**Lease Rider**"). If this is your first Restaurant, you must sign a Lease that we have approved and have the Lease Rider executed within nine (9) months after the Agreement Date. If this is your second or subsequent Restaurant, you must sign a Lease that we have approved and have the Lease Rider executed within six (6) months after the Agreement Date. Our approval will not be unreasonably withheld. You acknowledge that our acceptance of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a District Taco Restaurant operated at the Site. Our acceptance of the Lease

indicates only that we believe that the Lease's terms meet, or that we have waived, our then-acceptable criteria. You must submit a copy of the fully-signed Lease, including the Lease Rider, to realestate@districttaco.com within ten (10) days after you and the landlord have executed the Lease. You may not sign any renewal or amendment of the Lease that we have not accepted.

3.C. Primary Area of Responsibility. After you sign the Lease, we will define the Primary Area of Responsibility. We will determine that Primary Area of Responsibility based on the factors that we deem relevant, which might include demographics and/or the character of the Site. After you sign the Lease, we will insert the Site's address, the Primary Area of Responsibility's description, and the Opening Deadline on a new Exhibit A-1, and we and you will sign and date the new Exhibit A-1. Once we define the Primary Area of Responsibility, you will have no further territorial or other rights in those portions of the Site Selection Area that are outside the Primary Area of Responsibility.

3.D. Developing and Equipping your DT Restaurant.

(1) We will provide you with mandatory and suggested specifications and layouts for a District Taco Restaurant, which might include recommendations and/or requirements for dimensions, design, image, interior layout (including equipment placement), decor, Restaurant Assets, and color scheme. "**Restaurant Assets**" means all required furniture, fixtures, Computer System (defined below) components, equipment, furnishings, signs and smallwares that we periodically require for your DT Restaurant. Your DT Restaurant must contain all of the Restaurant Assets, and only the Restaurant Assets, that we periodically specify. At our option, you must use only the design company and/or other contractor(s) that we periodically designate or approve to design and/or construct your DT Restaurant, provided that you may submit an unapproved design company and/or contractor for our approval in accordance with Section 7.C.

(2) It is your responsibility to prepare all required construction plans and specifications to suit the Site and to make sure that they comply with the Americans with Disabilities Act (the "**ADA**") and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions. You must submit construction plans and specifications to us at construction@districttaco.com for approval before you begin constructing your DT Restaurant and all revised or "as built" plans and specifications during construction. If you do not receive written notice of approval from us within fifteen (15) business days after we receive the construction plans, they are deemed approved. Our review is limited to ensuring your compliance with our design requirements and this Agreement's other requirements. Our review is not designed to assess compliance with federal, state, or local laws and regulations, including the ADA, as compliance with those laws and regulations is your responsibility. You must remedy, at your expense, any noncompliance or alleged noncompliance with those laws and regulations. We may periodically inspect the Site while you are constructing your DT Restaurant.

(3) At your expense, you must construct, install trade dress and furnish all Restaurant Assets in, and otherwise develop your DT Restaurant at the Site according to our standards, specifications and directions. If we require, you must purchase or lease only

approved brands, types and/or models of Restaurant Assets and/or purchase or lease them only from the Approved Suppliers (defined in Section 7.C), which may include or be limited to us or our affiliates. You must notify us at construction@districttaco.com at least thirty (30) days before you expect construction at your DT Restaurant to be completed.

(4) At your option, before opening your DT Restaurant, we will provide you with up to five (5) hours of consultation and advice related to construction, design, and equipping your DT Restaurant in accordance with our standards, specifications, and directions at no charge. You must pay our then-current hourly rate for any additional consultations or advice in accordance with Section 5.E.

3.E. **Computer System.** You agree to obtain and use in connection with the operation of your DT Restaurant the computer-based, web-based, application-based and/or other technological systems and services that we periodically specify, including hardware components (including any kiosks and point-of-sale systems), software, dedicated communication and power systems, printers, payment devices, and other computer-related accessories and peripheral equipment (the “**Computer System**”). We may periodically modify specifications for and components of and/or the technologies and functions for, the Computer System, and these modifications and/or other technological developments or events, may require you to purchase, lease and/or license new or modified computer hardware, software and other components and technologies and to obtain service and support for the Computer System. You agree to incur the costs of obtaining and updating the Computer System (and additions and modifications) and required service or support. Within sixty (60) days after we deliver notice to you, you agree to obtain the Computer System components that we designate and ensure that your Computer System, as modified, is functioning properly.

We and our affiliates may condition any license of required or recommended proprietary software to you, and/or your use of technology developed or maintained by or for us (including the DT Website, as defined in Section 8.G), on your signing a software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent to and accepting the terms of a click-through license agreement), that we and our affiliates periodically specify to regulate your use of, and our (or our affiliate’s) and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you up-front and ongoing fees for any required or recommended proprietary software or technology that we or our affiliates license to you and for other Computer System maintenance and support services provided during the term of this Agreement.

Notwithstanding your obligation to buy, use, and maintain the Computer System according to our standards and specifications, you have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces with our and any third party’s computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded. The Computer System shall permit twenty-four (24) hours per day, seven (7) days per week electronic communications between you and us.

3.F. **Restaurant Opening.** You must open your DT Restaurant for business on or before the Opening Deadline defined and listed on Exhibit A-1. The Opening Deadline will be the

applicable Restaurant Opening Deadline (as defined in the Development Agreement). You agree not to open your DT Restaurant until: (1) you have properly developed and equipped your DT Restaurant according to our standards and specifications and in compliance with all applicable laws and regulations; (2) all pre-opening training for your DT Restaurant’s personnel has been completed to our satisfaction; (3) all amounts you then owe to us and our affiliates have been paid; (4) you have submitted evidence of required insurance coverage and payment of premiums to riskmanagement@districttaco.com; (5) you have submitted a copy of the fully-signed Lease to realestate@districttaco.com; and (6) if we (at our sole option) require, we have in a timely manner conducted a pre-opening inspection and/or have certified your DT Restaurant for opening. Our determination that you have met all of our pre-opening requirements will not constitute a waiver of our right to demand full compliance with those requirements. The date on which you open your DT Restaurant for business is the “**Opening Date.**”

3.G. Restaurant Relocation. If the Lease expires or is terminated without your fault, or if your DT Restaurant is destroyed, condemned, or otherwise rendered unusable, we will allow you to relocate your DT Restaurant to a new site reasonably acceptable to us. Relocation will be at your sole expense, and you must comply with this Agreement’s provisions relating to the development of your DT Restaurant at the new site and de-identification of the old site. We may charge you for the reasonable costs that we incur in connection with any proposed Restaurant relocation.

4. Territorial Rights.

4.A. Territorial Rights. The restrictions under this Section 4.A shall take effect once we have accepted the Site and determined the Primary Area of Responsibility. If you are complying with this Agreement, then neither we nor our affiliates will operate, or authorize any other party to operate, a District Taco Restaurant the physical premises of which are located within the Primary Area of Responsibility, except for District Taco Restaurants located at Non-Traditional Locations in the Primary Area of Responsibility. “**Non-Traditional Locations**” means locations that generate customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including military bases, shopping malls, industrial or office facilities, food courts, hotels, college and university buildings, airports, train stations, travel plazas, toll roads, casinos, hospitals and other medical centers, amusement parks, and stadiums and other sports and entertainment venues.

4.B. Rights We Maintain. We (and any affiliates that we might have from time to time) shall at all times have the right to engage in any activities we or they deem appropriate that are not expressly prohibited by this Agreement, whenever and wherever we or they desire, including:

- (1) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions we deem appropriate, District Taco Restaurants or any other Mexican restaurants or similar businesses at any locations outside the Primary Area of Responsibility, including within those portions of the Site Selection Area that are outside the Primary Area of Responsibility, and District Taco Restaurants at any Non-Traditional Locations within or outside the Primary Area of Responsibility;

(2) all rights relating directly or indirectly to the Marks, and all products and services associated with any of the Marks, in connection with any methods of distribution, except as specifically set forth in Section 4.A. This includes providing, and granting rights to others to provide (except as specifically set forth in Section 4.A), products and services that are similar or dissimilar to, or competitive with, any Products and Services (as defined in Section 7.B) provided at District Taco Restaurants, whether identified by the Marks or other trademarks or service marks, regardless of the method of distribution (including through the DT Website), and at any locations; and

(3) acquiring the assets or Ownership Interests of, or being acquired (regardless of the form of transaction) by, one or more businesses providing products and services similar or dissimilar to those provided at District Taco Restaurants, and franchising, licensing or creating other arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, whether within or outside the Site Selection Area or Primary Area of Responsibility.

5. Training and Assistance.

5.A. Initial Training Program. Before opening your DT Restaurant for business, Operating Principal, Multi-unit Manager, if applicable, General Manager, two (2) managers, and any other attendees that we may reasonably require, must attend and complete to our satisfaction all components of our designated initial brand standard training program (“**Initial Training Program**”). At your option, you may also send additional DT Restaurant personnel to the Initial Training Program. The Initial Training Program may include classroom training, instruction at designated facilities, hands-on training at an operating District Taco Restaurant, remote training (including via Internet access) and/or self-study programs. At our option, we may provide all or part of the Initial Training Program using video conferencing, online meetings or other forms of virtual communication. The Operating Principal and any other attendees that we may require must complete the Initial Training Program to our satisfaction before your DT Restaurant opens for business. If we determine that any of your personnel cannot complete the Initial Training Program to our satisfaction, then in addition to our other rights and remedies, we may require such personnel to attend additional training programs at your expense (for which we may charge reasonable fees).

5.B. Opening Trainer. We will send one individual whom we choose (the “**Opening Trainer**”) for a period of up to ten (10) days, beginning before the Opening Date and continuing after the Opening Date, to assist with training on brand standard issues, provided that you must request the Opening Trainer at least thirty (30) days before the Opening Date (the “**Trainer Request Deadline**”). We will determine the Opening Trainer in our sole judgment and may charge a fee, as provided in Section 5.D.

5.C. Ongoing Training. During the Term, we may require you and/or your personnel, including the Operating Principal, Multi-unit Manager, if applicable, and General Manager, to attend and satisfactorily complete various training courses and programs and evaluation programs that we choose to provide periodically at the times and locations we designate. Your personnel whom we reasonably specify periodically also must attend any conventions or other programs that we periodically specify for some or all District Taco Restaurants. At our option, we may provide

ongoing training to you using video conferencing, online meetings or other forms of virtual communication.

5.D. Fees and Expenses During Training.

(1) We will provide the Initial Training Program to the Operating Principal, General Manager, Multi-Unit Manager, if applicable, two (2) managers, and any other personnel we may require for your DT Restaurant. Additional DT Restaurant personnel may attend training. You must pay the initial training fee that we specify in advance for each additional person attending the Initial Training Program.

(2) You must pay the Opening Trainer's travel, lodging, meals and other expenses we incur in connection with such training, provided that your DT Restaurant is the second or subsequent DT Restaurant you and your affiliates then operate. For avoidance of doubt, you will not be required to pay the Opening Trainer's expenses if this is your and your affiliates first District Taco Restaurant.

(3) You also agree to pay the training fees that we periodically specify in advance for any ongoing training and evaluation programs that we provide. You also will be responsible for your and your personnel's travel, lodging, meals and other expenses (including local transportation expenses) and compensation incurred in connection with attendance at any training courses and programs, conventions or work at any District Taco Restaurant that is part of their training and development.

5.E. General Guidance.

(1) We will advise you periodically regarding your DT Restaurant's operation based on your reports or our inspections, including with respect to standards, specifications, operating procedures and methods that District Taco Restaurants use, purchasing required or recommended Restaurant Assets and other products, and administrative, bookkeeping and accounting procedures. We will guide you in our operating manual and/or other manuals (collectively, the "**DT Manual**"); in bulletins or other written materials; by electronic media; by telephone consultation; by virtual consultation, including, but not limited to, video conferencing and other online meetings; and/or at our office or your DT Restaurant.

(2) At your request, and if we agree, we will provide additional or special guidance, assistance or training (including, consultation and advice concerning the operation of your DT Restaurant, advertising and marketing, and accounting) to you. You agree to pay us Two Hundred and Fifty Dollars (\$250) an hour per person that assists you, plus per diem charges and any travel expenses, lodging and meals for our personnel, as applicable. We may increase the amount to be charged for such additional or special guidance, assistance or training upon thirty (30) days' prior written notice. Any specific ongoing training, conventions, advice or assistance that we provide do not create an obligation to continue providing that specific training, convention, advice or assistance, all of which we may discontinue and modify at any time.

5.F. DT Manual and DT Standards. We will provide you with access to the DT Manual for use in operating your DT Restaurant during the Term. The DT Manual might include written or intangible materials and may be made available to you by various means. At our option, we may post the DT Manual on the DT Website or another restricted website to which you will have access, in which event you must periodically monitor the website for any updates to the DT Manual or DT Standards. Any passwords or other digital identifications necessary to access the DT Manual on such a website will be deemed to be part of Confidential Information (defined in Section 12.A). The DT Manual contains mandatory and suggested specifications, standards, operating procedures and rules that we periodically specify for developing and/or operating a District Taco Restaurant (“**DT Standards**”) and information on your other obligations under this Agreement. We may modify the DT Manual periodically to reflect changes in DT Standards. In the event of a conflict between this Agreement and the DT Manual, this Agreement shall control. You agree to keep your copy of the DT Manual current and communicate all updates to your employees in a timely manner. In addition, you agree to keep any paper copy of the DT Manual you maintain in a secure location at your DT Restaurant. If there is a dispute over the DT Manual’s contents, our master copy of the DT Manual controls. You agree that the contents of the DT Manual are confidential and that you will not disclose the DT Manual to any person other than DT Restaurant employees who need to know its contents. You may not at any time copy, duplicate, record or otherwise reproduce any part of the DT Manual, except as we periodically authorize for training and operating purposes.

5.G. Delegation of Performance. We may delegate the performance of any portion or all of our obligations under this Agreement to our affiliates or other third party designees, whether these designees are our agents or independent contractors with whom we contract to perform these obligations.

6. Fees.

6.A. Initial Franchise Fee. On the Agreement Date, you agree to pay us an initial franchise fee in the amount equal to Twenty-Five Thousand Dollars (\$25,000). This initial franchise fee is fully earned by us when you sign this Agreement and is not refundable under any circumstances unless otherwise stated in this Section 6.A. We may, in our discretion, terminate this Agreement and refund to you up to fifty percent (50%) of the initial franchise fee if (1) you do not sign a Lease that we have approved within six (6) months after the Agreement Date; or (2) upon your (or your Operating Principal’s) death or disability, your DT Restaurant has not yet opened for business.

6.B. Royalty. You agree to pay us, on or before the day of each week that we periodically specify (the “**Payment Day**”), a royalty (“**Royalty**”) in an amount equal to six percent (6%) of the Gross Sales (defined below) of your DT Restaurant during the previous week.

6.C. Definition of Gross Sales. In this Agreement, “**Gross Sales**” means all revenue that you receive or otherwise derives directly or indirectly from operating your DT Restaurant, whether from cash, check, credit and debit card, barter, exchange, trade credit, or other credit transactions, including any implied or imputed Gross Sales from any business interruption insurance and all revenue from selling products intended for off-premises consumption or use and from providing Catering Service and Delivery Service (each as defined below). However, “Gross Sales” shall

exclude (1) sales taxes, use taxes, and other similar taxes added to the sales price, collected from the customer and paid to the appropriate taxing authority; and (2) proceeds from the sale of used trade fixtures. Each charge or sale upon credit shall be treated as a sale for the full price on the day during which such charge or sale is made, irrespective of when you receive payment (whether full or partial, or at all) on that sale. Amounts paid by gift certificate, gift card, stored value card or similar program are included in Gross Sales when the gift certificate, other instrument or applicable credit is redeemed.

6.D. Automatic Debit. You must sign and deliver to us the documents we periodically require to authorize us to debit your bank account automatically for the Royalty, Innovation Fund (defined in Section 8.B) contribution, and other amounts due under this Agreement or any related agreement between us (or our affiliates) and you. You agree to make the funds available for withdrawal by electronic transfer before each due date. We may periodically change the mechanism for your payments of Royalties, Innovation Fund contributions and other amounts you owe to us and our affiliates under this Agreement or any related agreement. You may not subordinate to any other commitment or responsibility your obligation to pay Royalties or any other fee or charge under this Agreement.

6.E. Late Payment or Reporting Fee. If you fail to report your DT Restaurant's Gross Sales or fail to make amounts due to us available for withdrawal by electronic transfer before each due date, you must pay us, in addition to any overdue amount and interest, a fee of Fifty Dollars (\$50) per day for each day we do not receive the Gross Sales report or the unpaid amounts. This fee is reasonably related to our costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to us under this Agreement. If for any reason this fee is deemed to be interest charged, required or permitted in excess of the maximum rate allowed by applicable law, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid accordingly.

6.F. Interest on Late Payments. All amounts which you owe us, if not paid (or made available for withdrawal from your bank account if we are then collecting those amounts by automatic debit) by the due date, will bear interest beginning on their due date at one percent (1%) per month or the highest commercial contract interest rate the law allows, whichever is less. You acknowledge that this Section 6.F is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, your DT Restaurant. Your failure to pay all amounts that you owe us when due constitutes grounds for our terminating this Agreement under Section 16, notwithstanding this Section 6.F.

6.G. Taxes on Your Payments. In addition to any sales, use, excise, privilege or other transaction taxes that applicable law requires or permits us to collect from you for the sale, lease or other provision of goods or services under this Agreement, you shall pay us an amount equal to all federal, state, local or foreign (1) sales, use, excise, privilege, occupation or any other transactional taxes, and (2) other taxes, no matter how designated, that are imposed on us or that we are required to withhold in connection with the receipt or accrual of Royalties or any other amounts payable by you to us under this Agreement, excluding only taxes imposed on us for the privilege of conducting business and calculated with respect to our net income, capital, net worth, gross receipts, or some other basis or combination thereof, but not excluding any gross receipts

taxes imposed on us or our affiliates for your payments intended to reimburse us or our affiliates for expenditures incurred for your benefit and on your behalf. You shall make any additional required payment pursuant to this Section in an amount necessary to provide us with after-tax receipts (taking into account any additional payments required hereunder) equal to the same amounts that we would have received under this Agreement if such additional tax liability or withholding had not been imposed or required.

7. Restaurant Operation and DT Standards.

7.A. Condition and Appearance of Restaurant.

(1) You agree that you will not use your DT Restaurant or any part of the Site (including any parking area and any adjacent location with a common entrance) for any purpose other than operating a District Taco Restaurant in compliance with this Agreement. You must place or display at the Site (interior and exterior) only those signs, logos and display and advertising materials that we periodically require or authorize during the Term. You further agree to maintain the condition and appearance of your DT Restaurant, your Restaurant Assets and the Site (including any parking area) in accordance with our DT Standards. Without limiting that obligation, you agree to take, without limitation, the following actions during the Term at your expense: (a) thorough cleaning, repainting and redecorating of the interior and exterior of the Site at intervals that we may reasonably periodically designate and at our reasonable direction; (b) interior and exterior repair of the Site as needed; and (c) repair or replacement, at our direction, of damaged, worn-out or obsolete Restaurant Assets at intervals that we may reasonably periodically specify (or, if we do not specify an interval for replacing any Restaurant Asset, as that Restaurant Asset needs to be repaired or replaced).

(2) In addition to your obligations in Subsection (1) above, once during the Term, we may require you to substantially alter your DT Restaurant's and the Site's appearance, branding, layout and/or design, and/or replace a material portion of the Restaurant Assets, in order to meet our then-current requirements for new similarly situated District Taco Restaurants. You acknowledge that this obligation could result in your making extensive structural changes to, and significantly remodeling and renovating, your DT Restaurant, and/or in your spending substantial amounts for new Restaurant Assets, and you agree to incur, without limitation, any capital expenditures required in order to comply with this obligation and our requirements (even if those expenditures cannot be amortized over the remaining Term). Within sixty (60) days after receiving written notice from us, you must have plans prepared according to the standards and specifications we prescribe and, if we require, using architects and contractors we designate or approve, and you must submit those plans to us for our approval. You must complete all work according to the plans we approve within the time period that we reasonably specify. However, nothing in this paragraph in any way limits your obligation to comply with all mandatory DT Standards that we periodically specify.

7.B. Products and Services your DT Restaurant Offers. You agree that: (1) your DT Restaurant must offer all Products and Services that we periodically specify as being mandatory, subject to any reasonable restrictions in the applicable Lease; (2) you may not offer, sell, or

otherwise provide at your DT Restaurant, the Site or any other location any products or services that we have not authorized; (3) you must discontinue offering, selling or otherwise providing any products or services that we at any time disapprove in writing; (4) you may not sell any products at wholesale without our prior written consent; (5) you may not offer products or services from any location other than the Site, except for authorized Catering Services and as we otherwise approve; and (6) you must provide your DT Restaurant's Products and Services by alternative means such as through pick-up, carry-out, catering, or delivery arrangements in accordance with the DT Standards, as we may periodically require. "**Products and Services**" means all food, ingredients, beverages, retail or other items (including packaging, to-go containers, utensils, and other miscellaneous items) and services we require or authorize you to offer for sale and/or use in the operation of your DT Restaurant. If you fail to comply with any requirement set forth in this Section, you agree to pay us Two Hundred and Fifty Dollars (\$250) per day until you discontinue offering, selling, or providing the unapproved products and services or otherwise are in full compliance with this Section.

7.C. Approved Products, Distributors and Suppliers. We reserve the right to periodically designate and approve standards, specifications, suppliers and/or distributors of the Restaurant Assets and other Products and Services that we periodically authorize for use at or for sale by your DT Restaurant. During the Term, you must purchase or lease all Restaurant Assets and other Products and Services for your DT Restaurant only according to the DT Standards and, if we require, only from suppliers or distributors that we designate or approve, which may include or be limited to us or our affiliates (the "**Approved Suppliers**"). We and/or our affiliates may derive revenue based on your purchases and leases, including from charging you for the Products and Services that we or our affiliates provide to you and from promotional allowances, volume discounts, rebates, commissions, and other payments made to us by Approved Suppliers for some or all of our franchisees' purchases. We and our affiliates may use all amounts received from Approved Suppliers, whether or not based on your or other franchisees' actual or prospective dealings with them, without restriction for any purposes we or our affiliates deem appropriate.

If you want to use any Restaurant Assets or other products or services for or at your DT Restaurant that we have not yet evaluated, or purchase or lease any Restaurant Assets or other products or services from a supplier or distributor that we have not yet approved (for Restaurant Assets or other Products and Services that we require you to purchase only from Approved Suppliers), you first must submit sufficient information, specifications and samples for us to determine whether the product or service complies with our standards and specifications and/or the supplier or distributor meets our criteria. We may condition our approval of a supplier or distributor on requirements relating to product quality, prices, consistency, warranty, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) and/or other criteria. We have the right to inspect the proposed supplier's or distributor's facilities and to require the proposed supplier or distributor to deliver product or other samples, at our option, either directly to us or to any independent laboratory that we designate for testing. We will charge you a reasonable fee to inspect and test any new supplier, distributor, or product. We reserve the right periodically to re-inspect the facilities, products and services of any Approved Supplier and to revoke our approval of any supplier, distributor, product or service that does not continue to meet our criteria. Notwithstanding the foregoing, you agree that we may limit the number of Approved Suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your

requests for any reason, including if we have already designated an exclusive source (which might be us or our affiliate) for the applicable product or service or if we believe that doing so is in the best interests of the District Taco Restaurant Franchise System.

7.D. Catering Service and Delivery Service.

(1) You must provide, at our option, Catering Service from your DT Restaurant in accordance with our approval and all applicable terms and conditions of this Agreement, including all applicable DT Standards. “**Catering Service**” means the preparation and delivery (as applicable) of food and beverage products which are ordered from the catering menu (using catering forms) and prepared or partially prepared at your DT Restaurant and either (a) delivered to customers at locations other than the Site, where, in addition to delivering such products, you or a third party may provide ancillary services (such as setting up for, serving or otherwise distributing such food and beverage products) at such locations; or (b) picked up at your DT Restaurant.

(2) You shall provide, and/or contract with others whom we may designate to provide, Delivery Service from your DT Restaurant in accordance with all applicable terms and conditions of this Agreement, including all applicable DT Standards. “**Delivery Service**” means the delivery of food and beverage products that are ordered off of the standard menu or the catering menu, whereby you or a third party delivers such food and beverage products to locations other than the Site.

(3) You shall not establish another outlet or property (other than the Site) for use in connection with a Catering Service or Delivery Service and may not provide Catering Service or Delivery Service to customers at Non-Traditional Locations without our prior written consent. You may determine the geographic area within which you will offer Catering Service or Delivery Service, provided that you ensure that your customers receive at all times high quality food and beverage products prepared and maintained in accordance with DT Standards. You shall not receive any exclusive, protected or other territorial rights with respect to deliveries in that geographic area. You acknowledge and agree that we and our affiliates may provide, or authorize others to provide, delivery services within that geographic area and the Primary Area of Responsibility. You shall maintain (or ensure that a third-party service provider maintains) the condition and appearance of, and perform maintenance with respect to, vehicles, serveware, technology and equipment used in connection with the provision of Catering Services and/or Delivery Services in accordance with DT Standards. If you or your affiliate provides Catering Services or Delivery Services directly, you shall ensure that all catering and delivery operators strictly comply with all applicable laws and maintain adequate insurance (including, but not limited to, motor vehicle liability insurance) in accordance with our specifications, which we may change from time to time. If you fail to comply with any provision of this Agreement, including any DT Standard, pertaining to Catering Service or Delivery Service, then in addition to any other rights and remedies that we might have (including the right to terminate this Agreement pursuant to Section 16.B, if applicable), we may temporarily suspend or permanently terminate your right to provide Catering Service and/or Delivery Service or temporarily or permanently restrict the geographic area within which you may provide Catering Service and/or Delivery Service.

7.E. Order Intake Systems. You agree to accept and fulfill all pick-up, carry-out, catering and delivery orders from any customer ordering processes that we periodically specify, including any online, call center, app-based ordering processes, or any other program or system that we periodically designate (the “**Order Intake Systems**”), and for which we may charge you reasonable fees. Customer payments received through the Order Intake Systems for orders that are fulfilled by your DT Restaurant shall be remitted to your designated bank account, provided you have paid all amounts owed to us.

7.F. Compliance with Laws and Good Business Practices. You must secure and maintain in force throughout the Term all required licenses, permits and certificates relating to your DT Restaurant’s operation (including licenses to sell alcoholic beverages) and operate your DT Restaurant (including Catering Service and Delivery Service) in full compliance with all applicable laws, ordinances and regulations, including Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and any other federal, state, or local law, ordinance, regulation, policy, list or other requirement of any governmental authority addressing or in any way relating to terrorist acts or acts of war (“**Anti-Terrorism Laws**”). Without limiting the foregoing, you represent and warrant to us that none of your (or your Owners’) property or interests is subject to being blocked under, and you and your Owners otherwise are not in violation of, any Anti-Terrorism Law. Your DT Restaurant must in all dealings with its customers, prospective customers, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which might injure our business or reputation or the goodwill associated with the Marks or other District Taco Restaurants. You must notify us in writing within five (5) business days of: (1) the commencement of any action, suit or proceeding relating to your DT Restaurant; (2) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which might adversely affect your operation or financial condition or that of your DT Restaurant; and (3) any notice of violation or alleged violation of any law, ordinance or regulation relating to your DT Restaurant.

7.G. Insurance. During the Term you must maintain in force at your sole expense the insurance coverage for your DT Restaurant (including the Catering Service and Delivery Service) in the amounts, covering the risks, and containing only the exceptions and exclusions that we periodically specify for similarly situated District Taco Restaurants. All of your insurance carriers must be rated A or higher by A.M. Best and Company, Inc. (or such similar criteria as we periodically specify). These insurance policies must be in effect on or before the deadlines we specify. All coverage must be on an “occurrence” basis, except for employment practices liability insurance coverage, which is on a “claims made” basis. All policies shall apply on a primary and non-contributory basis to any other insurance or self-insurance that we or our affiliates maintain. All coverage must provide for waiver of subrogation in favor of us and our affiliates. We may, upon at least sixty (60) days’ notice to you, periodically increase the amounts of coverage required and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances, but in no event shall such minimum limits be increased during the first two (2) years following the Agreement Date. All insurance policies must name us and any affiliates we designate as an additional insured and provide for thirty (30) days’ prior written notice to us of a policy’s material modification or cancellation. You agree periodically to send us a valid certificate of insurance or duplicate insurance policy evidencing that you have maintained the

required coverage and paid the applicable premiums. If you fail to obtain or maintain (or to prove that you have obtained or maintained) the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and your DT Restaurant on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance.

7.H. Compliance with DT Standards. You acknowledge and agree that operating and maintaining your DT Restaurant according to DT Standards, as we may periodically modify and supplement them, are essential to preserve the goodwill of the Marks and all District Taco Restaurants. Therefore, you agree at all times to operate and maintain your DT Restaurant according to each and every DT Standard, as we periodically modify and supplement them. DT Standards may (except as specifically set forth below) regulate any aspect of your DT Restaurant's development, operation and maintenance, including any one or more of the following:

- (1) sales, marketing, advertising, promotional and public relations programs and materials for your DT Restaurant and media used in these programs, including participation in and compliance with the requirements of any special advertising, marketing, promotional and public relations programs that we periodically specify in which all or certain District Taco Restaurants participate, such as standards for participating in charitable and public relations programs, as we periodically modify them;
- (2) standards, requirements and procedures for participating in, and accepting orders through, the Order Intake Systems;
- (3) standards and requirements related to the music (including any channels or playlists) that must be played at your DT Restaurant;
- (4) collection and use of Customer Data;
- (5) the hours your DT Restaurant must be open to the public for business, and the minimum required number of employees and/or supervisors you must have on duty during business hours;
- (6) the design and appearance of your DT Restaurant and the Restaurant Assets, including your DT Restaurant's branding and cleanliness and the placement, maintenance, repair and replacement of equipment;
- (7) minimum and required standards and specifications for products, equipment, materials, supplies and services that your DT Restaurant uses and/or sells, including ingredients and methods of preparing food and beverage products;
- (8) participation in and requirements for group purchasing programs for certain Restaurant Assets and/or Products and Services that District Taco Restaurants use or sell;
- (9) maximum, minimum or other pricing requirements for Products and Services that your DT Restaurant offers, including requirements for promotions, special offers and discounts in which some or all District Taco Restaurants participate, in each case to the maximum extent the law allows;

(10) requirements for vehicles, training, qualifications, conduct and appearance of personnel, product packaging, format and use of materials and supplies (including display of the Marks thereon), and other aspects of providing Catering Services or Delivery Services;

(11) requirements for pick-up and carry-out orders, including parking requirements, signage, landscaping, lighting, form and use of technology, safety precautions (such as the use of gloves and face masks), and other aspects of providing pick-up and carry-out orders;

(12) participation in market research and test programs that we periodically require or approve concerning various aspects of the Franchise System, including new or updated procedures, systems, equipment, signs, trade dress, supplies, marketing materials and strategies, merchandising strategies, Products and Services;

(13) issuing and honoring gift certificates, gift cards, stored value cards and similar items and participating in other promotions, including any customer loyalty programs and promotions and procedures for resolving customer complaints that we periodically specify, for which we may charge you a reasonable fee;

(14) accepting credit and debit cards and other payment systems, including through the Computer System; and

(15) any other aspects of developing, operating and maintaining your DT Restaurant that we determine to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and District Taco Restaurants.

You acknowledge that our periodic modification of the DT Standards (including to accommodate changes to the Computer System and the Marks), which may accommodate regional and/or local variations, may obligate you to invest additional capital in your DT Restaurant and incur higher operating costs, and you agree to comply with those obligations within the time period we specify. Although we retain the right to establish and periodically modify the Franchise System and DT Standards that you have agreed to follow, you retain the responsibility for the day-to-day management and operation of your DT Restaurant and implementing and maintaining DT Standards at your DT Restaurant.

We and you agree that any materials, guidance or assistance that we provide with respect to the terms and conditions of employment for your employees, employee hiring, firing and discipline, and similar employment-related policies or procedures, whether in the DT Manual or otherwise, are solely for your optional use. Those materials, guidance and assistance do not form part of the mandatory DT Standards. You will determine to what extent, if any, these materials, guidance or assistance should apply to your DT Restaurant's employees. You acknowledge that we do not dictate or control labor or employment matters for franchisees and their employees and will not be responsible for the safety and security of DT Restaurant employees or patrons. You are solely responsible for determining the terms and conditions of employment for all DT Restaurant employees, for all decisions concerning the hiring, firing and discipline of DT Restaurant

employees, and for all other aspects of your DT Restaurant’s labor relations and employment practices.

7.I. Performance Standards. You must meet certain minimum performance levels during the Term of this Agreement (the "**Performance Standards**"). Your Performance Standards are as follows for the following time periods during the Term:

Time Period	Gross Sales
Year 1	\$1.0 million
Year 2	\$1.1 million
Year 3 and thereafter	\$1.2 million

“Gross Sales” is defined in Section 6(c). “Year 1” begins on the Opening Date and ends on the day before the first anniversary of the Opening Date. Each subsequent year begins on the anniversary of the Opening Date and ends on the day before the next anniversary of the Opening Date. If you do not achieve the Performance Standards during any year, then you must (i) pay to us the difference between the Royalties actually paid and the Royalties that would have been paid had you achieved the Performance Standards, and (ii) develop and implement a business plan that we must approve in writing to improve performance. If you do not achieve the Performance Standards in two (2) consecutive years, it shall be a default under this Agreement entitling us to terminate this Agreement or exercise any of the remedies specified in Section 16(c) (Termination of Other Rights).

7.J. Modification of Franchise System. We reserve the right to vary the Franchise System and/or DT Standards for any District Taco Restaurant or group of District Taco Restaurants based upon the peculiarities of any conditions or factors that we consider important to its operations. You have no right to require us to grant you a similar variation or accommodation.

7.K. Customer Complaints and Third-Party Inspections. You shall process and handle all customer complaints related to your DT Restaurant in accordance with the DT Standards and promptly notify us by email at riskmanagement@districttaco.com if you receive complaints about or related to any of the following: (i) food related illnesses, (ii) safety or health violations, (iii) claims exceeding One Hundred Dollars (\$100.00), and (iv) any other material claims against or losses you suffered. During the Term and for thirty (30) days after the expiration or termination of this Agreement, you shall maintain and upon our request provide to us for our review any third-party inspection reports related to your DT Restaurant and the Operating Assets.

8. Marketing.

8.A. Grand Opening Marketing Program. You agree, at your expense, to implement a grand opening marketing program for your DT Restaurant in accordance with the requirements in the DT Manual and other DT Standards. At least ninety (90) days before your DT Restaurant’s planned Opening Date, you must prepare and submit to us for our approval a proposed grand opening marketing program that covers a period before and after the Opening Date that we specify and contemplates spending at least Five Thousand Dollars (\$5,000). You must implement the approved grand opening marketing program and, if we require, you must provide evidence to us of your approved program expenditures.

8.B. Innovation Fund. We administer and control, a marketing and brand fund (the “**Innovation Fund**”) for the advertising, marketing, promotional, customer relationship management, public relations, research and development, and other brand related programs and materials for all or a group of District Taco Restaurants that we periodically deem appropriate. You agree to pay us, via electronic funds transfer or another payment method we specify and together with each payment of the Royalty, a contribution to the Innovation Fund in an amount equal to 2% of your DT Restaurant’s Gross Sales. We will designate and direct all programs that the Innovation Fund finances, with sole control over the creative and business concepts, materials, techniques and endorsements used and their geographic, market and media placement and allocation. The Innovation Fund may pay for preparing, producing and placing video, audio and written materials, electronic media and Social Media (defined in Section 8.H); developing, maintaining and administering one or more DT Websites, including online sales and customer retention programs, mobile applications (such as apps), and other technologies used to reach customers and potential customers, and/or an intranet or extranet system; research and development related to robotic and other technologies for potential use in and promotion of District Taco Restaurants; administering national, regional, multi-regional and local marketing, advertising, promotional and customer relationship management programs, including purchasing trade journal, direct mail, Internet and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; loyalty programs; and supporting public and customer relations, market research, and other advertising, promotion, marketing and brand-related activities, including secret-shopper campaigns and company-wide team morale building programs/events. The Innovation Fund also may reimburse District Taco Restaurant operators (including us and/or our affiliates) for expenditures consistent with the Innovation Fund’s purposes that we periodically specify. We also may implement programs that could be financed by the Innovation Fund, but choose to have them financed through other means, such as direct payments by you and other participating District Taco Restaurant operators.

We will account for the Innovation Fund separately from our other funds and not use the Innovation Fund to pay any of our general operating expenses, except to compensate us and our affiliates for the reasonable salaries, administrative costs, travel expenses, overhead and other costs we and they incur in connection with activities performed for the Innovation Fund and its programs, including conducting market research, preparing advertising and marketing materials, maintaining and administering the DT Website and/or Social Media, developing technologies to be used by the Innovation Fund or its programs, collecting and accounting for Innovation Fund contributions, and paying taxes on contributions. The Innovation Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Innovation Fund or any other reason. The Innovation Fund may spend in any fiscal year more or less than the total Innovation Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Innovation Fund contributions to pay costs before using the Innovation Fund’s other assets. We will prepare an annual, unaudited statement of Innovation Fund collections and expenses and give you the statement upon written request. We may have the Innovation Fund audited periodically at the Innovation Fund’s expense by an independent accountant we select. We may incorporate the Innovation Fund or operate it through a separate entity whenever we deem appropriate. This entity will have all of the rights and duties specified in this Section 8.B.

We intend for the Innovation Fund to maximize recognition of the Marks and patronage of District Taco Restaurants. Although we will try to use the Innovation Fund to develop and/or implement advertising and marketing materials, technologies and programs and for other uses (consistent with this Section 8.B) that will benefit all or certain contributing District Taco Restaurants, we need not ensure that Innovation Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Innovation Fund contributions from District Taco Restaurants operating in that geographic area, or that any District Taco Restaurant benefits directly or in proportion to the Innovation Fund contributions that it makes. We have the right, but no obligation, to use collection agents and institute legal proceedings at the Innovation Fund's expense to collect Innovation Fund contributions. We also may forgive, waive, settle and compromise all claims by or against the Innovation Fund. Except as expressly provided in this Section 8.B, we assume no direct or indirect liability or obligation to you for maintaining, directing or administering the Innovation Fund.

We may at any time defer or reduce a District Taco Restaurant operator's contributions to the Innovation Fund and, upon at least thirty (30) days' written notice to you, reduce or suspend Innovation Fund contributions and/or operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Innovation Fund. If we terminate the Innovation Fund, we will (at our option) either spend the remaining Innovation Fund assets in accordance with this Section 8.B or distribute the unspent assets to District Taco Restaurant operators (including us and our affiliates, if applicable) then contributing to the Innovation Fund in proportion to their contributions during the preceding twelve (12)-month period.

8.C. Local Marketing. You agree at your expense to participate in the manner we periodically specify in all advertising, marketing, promotional, customer relationship management, public relations and other brand related programs that we periodically designate for your DT Restaurant, subject to the Marketing Spending Requirement. You must ensure that all of your advertising, marketing, promotional, customer relationship management, public relations and other brand related programs and materials that you or your agents or representatives develop or implement relating to your DT Restaurant (collectively, "**Local Marketing**") is completely clear, factual and not misleading, complies with all applicable laws and regulations, and conforms to the highest ethical standards and the advertising and marketing policies that we periodically specify. Before using them, you agree to send to us, for our approval, descriptions and samples of all proposed Local Marketing that we have not prepared or previously approved within the preceding six (6) months. If you do not receive written notice of approval from us within fifteen (15) business days after we receive the materials, they are deemed disapproved. You may not conduct or use any Local Marketing that we have not approved or have disapproved. At our option, you must contract with one or more Approved Suppliers to develop and/or implement Local Marketing. We assume no liability to you or any other party due to our specifying any programs or materials or our approval or disapproval of any Local Marketing.

8.D. Advertising Cooperatives. We may designate a geographic area in which two (2) or more District Taco Restaurants are located as an area for an advertising or marketing cooperative (a "**Cooperative**"). The Cooperative's members in any area will be the owners of all of the District Taco Restaurants located and operating in that area (which may include us and our affiliates, if applicable) that we have the right to require to participate in the Cooperative. Each Cooperative will be organized and governed in a form and manner, and begin operating on a date,

that we determine. We may change, dissolve and merge Cooperatives. Each Cooperative's purpose is, with our approval, to develop, administer or implement advertising, marketing and promotional materials and programs for the area that the Cooperative covers. If, as of the Agreement Date, we have established a Cooperative for the geographic area in which your DT Restaurant is located, or if we establish a Cooperative in that area during the Term, you agree to sign the documents that we reasonably require to become a member of the Cooperative and to participate in the Cooperative as those documents require. You agree to contribute to the Cooperative the amounts that the Cooperative determines, subject to our approval and the Marketing Spending Requirement, provided that Cooperatives shall not require contributions in excess of one and a half percent (1.5%) of Gross Sales.

All material decisions of the Cooperative, including contribution levels (which also require our approval), will require the affirmative vote of more than fifty percent (50%) of all District Taco Restaurants that are required to participate in the Cooperative (including, if applicable, those operated by us or our affiliate), with each District Taco Restaurant receiving one (1) vote. You agree to send us and the Cooperative any reports that we or the Cooperative periodically require. The Cooperative will operate solely to collect and spend Cooperative contributions for the purposes described above. The Cooperative and its members may not use any advertising, marketing or promotional programs or materials that we have not approved.

8.E. Marketing Spending Requirement. The “**Marketing Spending Requirement**” is the maximum amount that we can require you to spend on Cooperative contributions and approved Local Marketing for your DT Restaurant during each calendar quarter, and is an amount equal to two percent (2%) of your DT Restaurant's Gross Sales during that calendar quarter. Although we may not require you to spend more than the Marketing Spending Requirement on Cooperative contributions and approved Local Marketing for your DT Restaurant during any calendar quarter, you may choose to do so. We will not count towards your Marketing Spending Requirement the cost of free, discounted, or promotional Products and Services, coupons, special offers or price reductions that you provide as a promotion, signs, personnel salaries, administrative costs, employee incentive programs, or other amounts that we, in our reasonable judgment, deem inappropriate for meeting the Marketing Spending Requirement. We may periodically review your books and records and require you to submit reports periodically to determine your Cooperative contributions and Local Marketing expenses. If you fail to spend (or prove that you spent) the Marketing Spending Requirement in any quarter, then we may, in addition to and without limiting our other rights and remedies, require you to pay us the shortfall for us to spend on Local Marketing for your DT Restaurant.

8.F. Quarterly Marketing Plan. On or before the date that we periodically and reasonably specify during each calendar quarter, you shall prepare and deliver to us, in a form and format that we periodically designate, a quarterly marketing plan describing your intended Local Marketing programs and expenditures for the next calendar quarter (the “**Quarterly Marketing Plan**”). The Quarterly Marketing Plan shall contemplate your spending enough on Local Marketing to comply with the Marketing Spending Requirement. You agree to make the changes to the Quarterly Marketing Plan that we periodically specify (subject to Section 8.E) and implement the approved Quarterly Marketing Plan in accordance with this Agreement.

8.G. DT Website. We, or one or more of our designees, may establish a website or series of websites or similar technologies, including mobile applications or “apps” and other technological advances that perform functions similar to those performed on traditional websites, for the District Taco Restaurant network to advertise, market and promote District Taco Restaurants, the Products and Services they offer, and the District Taco Restaurant franchise opportunity; to facilitate the operations of District Taco Restaurants (including, at our option, online ordering and/or sales); and/or for any other purposes that we determine are appropriate for District Taco Restaurants (those websites, applications and other technological advances are collectively called the “**DT Website**”). You agree to pay to us a monthly fee in the amount that we periodically specify to cover part of our costs of administering and maintaining the DT Website. If we include information about your DT Restaurant on the DT Website, then you agree to give us the information and materials that we periodically request concerning your DT Restaurant and otherwise participate in the DT Website in the manner that we periodically specify. We have the final decision concerning all information and functionality that appears on the DT Website and will update or modify the DT Website according to a schedule that we determine. By posting or submitting to us information or materials for the DT Website, you are representing to us that the information and materials are accurate and not misleading and do not infringe any third party’s rights. You must notify us whenever any information about you or your DT Restaurant on the DT Website changes or is not accurate.

We own all intellectual property and other rights in the DT Website and all information it contains, including the domain name or URL for the DT Website and all subsidiary and other related websites, the log of “hits” by visitors, and any personal or business data that visitors (including you, your personnel and your customers) supply. We may use the Innovation Fund’s assets to develop, maintain, support and update the DT Website. We may implement and periodically modify DT Standards relating to the DT Website and, at our option, may discontinue all or any part of the DT Website, or any services offered through the DT Website, at any time.

All Local Marketing that you develop for your DT Restaurant must contain notices of the DT Website in the manner that we periodically designate. You may not develop, maintain or authorize any other website, other online presence or other electronic medium (such as mobile applications, kiosks and other interactive properties or technology-based programs) that mentions or describes you, your DT Restaurant or the Products and Services or that displays any of the Marks. Except for the DT Website (if applicable), you may not conduct commerce or directly or indirectly offer or sell any Products and Services using any website, another electronic means or medium, or otherwise over the Internet or using any other technology-based program without our approval.

Nothing in this Section 8.G shall limit our right to maintain websites and technologies other than the DT Website or to offer and sell products or services (including the Products and Services) under the Marks from the DT Website, another website or technology, or otherwise over the Internet (including to your DT Restaurant’s customers and prospective customers) without payment or obligation of any kind to you.

8.H. Social Media. You agree to comply with our policies and requirements (as we periodically modify them) concerning blogs, common social networks like Facebook, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video

sharing sites like Pinterest and Instagram, and other similar social networking or media sites or tools (collectively, “**Social Media**”) that in any way reference the Marks or involve your DT Restaurant. You acknowledge that these policies may involve prohibitions on you and your representatives’ use of Social Media in connection with the Marks or your DT Restaurant.

8.I. DT Intranet/Extranet System. We may, at our option, establish and maintain an intranet or extranet system through which members of the District Taco® franchise network may communicate and through which we may disseminate updates to the DT Manual and other Confidential Information (the “**Intranet**”). We will have no obligation to establish or to maintain the DT Intranet indefinitely, and may dismantle it at any time without liability to you. We may establish policies and procedures for the DT Intranet’s use. We expect to adopt and adhere to a reasonable privacy policy. However, you acknowledge that, we, as administrator of the DT Intranet, can access and view any communication that anyone posts on the DT Intranet. You further acknowledge that the DT Intranet facility and all communications that are posted to it will become our property, free of any claims of privacy or privilege that you or any other individual may assert. If you fail to pay when due any amount payable to us under this Agreement, or if you fail to comply with any policy or procedure governing the DT Intranet, we may temporarily suspend your access to any chat room, bulletin board, listserv, or similar feature the DT Intranet includes until you fully cure the breach.

9. Records, Reports and Financial Statements.

You agree to establish and maintain at your own expense a bookkeeping, accounting and recordkeeping system conforming to the requirements and formats that we periodically specify. We may require you to use the Computer System to maintain certain sales and expense data, financial statements, Customer Data and other information, in the formats that we periodically specify, and to transmit that data and information to us on a schedule that we periodically specify. At our option, the Computer System must allow us unlimited, independent access to, and the ability to download, all information in the Computer System at any time, *other than* records relating to labor relations and employment practices for Restaurant employees (collectively, “**Employment Records**”).

You also agree to give us in the manner and format that we periodically specify:

(a) on or before the Payment Day of each week, a report on your DT Restaurant’s Gross Sales during the previous week;

(b) within fifteen (15) days after the end of each month, a monthly income statement and a balance sheet and statement of cash flow for your DT Restaurant as of the end of the previous month;

(c) within ninety (90) days after the end of your fiscal year (if you are an entity), financials statements “reviewed” by an independent, certified public accountant in accordance with generally accepted accounting principles; and

(d) within fifteen (15) days after submission, exact copies of federal and state income and other tax returns and, within fifteen (15) days after our request, any other forms,

records, reports and other information that we periodically require relating to your DT Restaurant or you, other than Employment Records.

You agree to certify or validate each report and financial statement in the manner that we periodically specify. We may disclose data derived from these reports, including by creating and circulating reports on the financial results of your DT Restaurant and/or some or all other District Taco Restaurants to other District Taco Restaurant owners and prospective franchisees. We, at our option, may require you to have, and to provide us with, audited financial statements prepared annually by an independent certified public accountant at your expense during the remaining Term. All such statements, reports, and tax returns shall be held in confidence by us and shall not be disclosed to any party, except in an anonymized or aggregated format, other than (a) to our personnel having the explicit need to know such information; (b) to our accountants and consultants; (c) to our legal counsel; (d) in connection with any judicial or administrative proceeding; or (e) when such information is subpoenaed or otherwise required to be disclosed by law or a court order

You agree to preserve and maintain all records in the form and manner we prescribe from time to time in the DT Manual or otherwise in writing, including the use of cloud-based electronic storage, during the Term and for at least three (3) years afterward.

10. Inspections, Evaluations and Audits.

10.A. Inspections and Evaluations. To determine whether you and your DT Restaurant are complying with this Agreement and all DT Standards, we and our designated agents and representatives may at all reasonable times, and without prior notice to you: (1) inspect your DT Restaurant and any aspect of its operations; (2) examine and copy your DT Restaurant's business, bookkeeping and accounting records, tax records and returns, and other records and documents (other than Employment Records); (3) observe, videotape or otherwise monitor and/or evaluate (or have you or a third party observe, videotape or otherwise monitor and/or evaluate), whether on-premises or remotely, your DT Restaurant's operation, including both disclosed and undisclosed or so-called "mystery shopping" evaluations of Restaurant operations, for consecutive or intermittent periods we deem necessary; and (4) discuss matters with your DT Restaurant's personnel, customers and prospective customers. You agree to cooperate with us and our designated agents and representatives. If we exercise any of these rights, we will use commercially reasonable efforts not to interfere unreasonably with your DT Restaurant's operation. You agree that your failure to achieve the minimum quality scores (as described in the DT Manual) or otherwise satisfy the DT Standards in any quality assurance inspection or evaluation conducted with respect to your DT Restaurant is a default under this Agreement. Without limiting our other rights and remedies under this Agreement, you agree promptly to correct at your expense all failures to comply with this Agreement (including any DT Standards) that our inspectors note within the time period we specify following your receipt of our notice, which might include your personnel's completing additional training or us conducting additional inspections or evaluations, for which we may charge you a reasonable fee. We may charge you an inspection fee to compensate us for our costs and expenses during any inspection or evaluation.

10.B. Audits. We may at any time during your business hours, and without prior notice to you, examine your DT Restaurant's business, bookkeeping and accounting records, tax records

and returns, and other records (*other than* Employment Records). You agree to fully cooperate with our representatives and/or any independent accountants we hire to conduct any such inspection or audit. If any inspection or audit discloses an understatement of your DT Restaurant's Gross Sales, you must pay us, within fifteen (15) days after receiving the inspection or audit report, the Royalties, Innovation Fund contributions and any other amounts due on the amount of the understatement, plus interest (in the amount described in Section 6.F) from the date originally due until the date of payment. If we reasonably determine that an inspection or audit is necessary due to your failure to furnish reports, supporting records or other information as required, or to furnish these items on a timely basis, or if our examination reveals a Royalty or Innovation Fund contribution understatement exceeding one percent (1%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the cost of our examination, including legal fees and independent accountants' fees, plus the travel expenses, lodging, meals and compensation of our employees and representatives. These remedies are in addition to our other remedies and rights under this Agreement and applicable law. All such statements, reports, and results of audits shall be held in confidence by us and shall not be disclosed to any party, except in an anonymized or aggregated format, other than (a) to our personnel having the explicit need to know such information; (b) to our accountants and consultants; (c) to our legal counsel; (d) in connection with any judicial or administrative proceeding; or (e) when such information is subpoenaed or otherwise required to be disclosed by law or a court order.

11. Marks.

11.A. Ownership and Goodwill of Marks. Our affiliate (District Brands, Inc.), the owner of the Marks, has granted us the right to use the Marks and license the use of the Marks to you and other franchisees for the operation of District Taco Restaurants. Your right to use the Marks is derived only from this Agreement and is limited to your operating your DT Restaurant according to this Agreement and all DT Standards we implement during the Term. Your unauthorized use of the Marks is a breach of this Agreement and infringes on our and our licensor's rights in the Marks. Your use of the Marks and any goodwill established by that use are for our and our licensor's exclusive benefit, and this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate your DT Restaurant under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks that we periodically authorize you to use. You may not at any time during or after the Term contest or assist any other person or Entity in contesting the validity, or our and our licensor's ownership, of the Marks.

11.B. Limitations on Your Use of Marks. You agree to use the Marks as your DT Restaurant's sole identification, subject to the notices of independent ownership that we periodically designate. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) as part of any domain name, electronic address, metatag or otherwise in connection with any Social Media, website or other electronic medium without our consent, or (5) in any other manner we have not expressly authorized in writing. You may not use any Mark in advertising the transfer, sale or other disposition of your DT Restaurant or any direct or indirect Ownership Interest in you without our prior written consent, which we will not unreasonably withhold. You may not manufacture, use, sell, or distribute, or contract with any party other than our or our affiliate's authorized licensees

to manufacture, use, sell, or distribute, any products bearing any of the Marks. You agree to display the Marks prominently as we periodically specify at your DT Restaurant and on forms, advertising, supplies, vehicles, employee uniforms and other materials we periodically designate. You agree to give the notices of trademark and service mark registrations that we periodically specify and to obtain any fictitious or assumed name registrations required under applicable law.

11.C. Notification of Infringements and Claims. You agree to notify us immediately of any actual or apparent infringement of or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us, our licensor, and our and our licensor's attorneys, and your attorneys, regarding any infringement, challenge or claim. We or our licensor may take the action that we or it deems appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding or other proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark. You agree to sign any documents and take any reasonable actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our and our licensor's interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our and our licensor's interests in the Marks. At our option, we or our licensor may defend and control the defense of any litigation or proceeding relating to any Mark.

11.D. Discontinuance of Use of Marks. If we believe at any time that it is advisable for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your expenses in complying with these directions (such as costs you incur in changing your DT Restaurant's signs or replacing supplies), for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

11.E. Indemnification for Use of Marks. We agree to reimburse you for all damages and expenses you incur or for which you are liable in any proceeding challenging your right to use any Mark under this Agreement, provided your use has been consistent with this Agreement, the DT Manual and DT Standards and you have timely notified us of, and comply with our directions in responding to, the proceeding.

12. Confidential Information, Customer Data and Innovations.

12.A. Confidential Information. We and our affiliates possess (and will continue to develop and acquire) certain confidential information relating to the development and operation of District Taco Restaurants (the "**Confidential Information**"), including:

- (1) development plans for District Taco Restaurants;
- (2) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating District Taco Restaurants, including recipes, food preparation techniques, and formulas for proprietary sauces, salsas and mixes;

(3) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for District Taco Restaurants;

(4) knowledge of specifications for and suppliers of, and methods of ordering, certain Restaurant Assets and other Products and Services that District Taco Restaurants use and/or sell;

(5) knowledge of the operating results and financial performance of District Taco Restaurants other than your DT Restaurant;

(6) customer communication and retention programs, along with data used or generated in connection with those programs, including Customer Data; and

(7) any other information we reasonably designate from time to time as confidential or proprietary.

You acknowledge and agree that by entering into this Agreement and/or acquiring your DT Restaurant, you will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information that we periodically designate in operating your DT Restaurant during the Term and according to the DT Standards and this Agreement's other terms and conditions, and that your use of any Confidential Information in any other business would constitute an unfair method of competition with us and our franchisees. We and our affiliates own all right, title and interest in and to the Confidential Information. You further acknowledge and agree that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you and your Owners agree, and you and they do agree, that you and your Owners:

(a) will not use any Confidential Information in any other business or capacity, whether during or after the Term;

(b) will keep the Confidential Information absolutely confidential, both during the Term and thereafter for as long as the information is not in the public domain other than as set forth in subsection (d) below and in connection with any judicial or administrative proceeding, or when such information is subpoenaed or otherwise required by law or a court order;

(c) will not make unauthorized copies of any Confidential Information disclosed in written or other tangible or intangible form;

(d) will adopt and implement all reasonable procedures that we periodically designate to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to DT Restaurant personnel and others needing to know such Confidential Information to operate your DT Restaurant, including, without limitation, your contractors having the explicit need to know such information, and using confidentiality agreements with those having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third-party beneficiary of that agreement with independent enforcement rights; and

(e) will not sell, trade or otherwise profit in any way from the Confidential Information, except during the Term using methods we approve.

“Confidential Information” does not include information, knowledge or know-how that is or becomes generally known in your DT Restaurant industry (without violating an obligation to us or our affiliate) or that you knew from previous business experience before we provided it to you (directly or indirectly) or before you began training or operating your DT Restaurant. If we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that the exclusion in this paragraph is fulfilled.

12.B. Customer Data. You must comply with the DT Standards, other directions from us, prevailing industry standards (including payment card industry data security standards), all contracts to which you are a party or otherwise bound, and all applicable laws and regulations, as any of them may be modified from time to time, regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Data on your Computer System or otherwise in your possession or control and, in any event, employ reasonable means to safeguard the confidentiality and security of Customer Data. “**Customer Data**” means names, contact information, financial information, ordering history and other personal information of or relating to your DT Restaurant’s customers and prospective customers. If there is a suspected or actual breach of security or unauthorized access involving your Customer Data (a “**Data Security Incident**”), you must notify us immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Customer Data was compromised or disclosed. You must comply with our instructions in responding to any Data Security Incident. We have the right, but no obligation, to control the direction and handling of any Data Security Incident and any related investigation, litigation, administrative proceeding or other proceeding at your expense.

We and our affiliates may, through the Computer System or otherwise, have access to Customer Data. During and after the Term, we and our affiliates may make any and all disclosures and use the Customer Data in our and their business activities and in any manner that we or they deem necessary or appropriate. You must secure from your vendors, customers, prospective customers and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit the Customer Data to us and our affiliates and for us and our affiliates to use that Customer Data in the manner that this Agreement contemplates.

12.C. Innovations. All new ideas, concepts, techniques, innovations and materials relating to a District Taco Restaurant (each an “**Advancement**”) whether or not protectable intellectual property and whether created by or for you or your Owners, employees or contractors, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the Franchise System, and works made-for-hire for us. To the extent any Advancement does not qualify as a work made-for-hire for us, by this paragraph you assign ownership of that Advancement, and all related rights to that Advancement, to us and agree to sign (and to cause your Owners, employees and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Advancement . We and our affiliates have no obligation to make any payments to you or any other person with respect to any Advancement. You may not use any Advancement in operating your DT Restaurant or otherwise without our prior approval.

13. **Exclusive Relationship.**

You acknowledge that we have granted you the rights under this Agreement in consideration of and reliance upon your and your Owners' agreement to deal exclusively with us in connection with Latin, Mexican and similar food products, including, without limitation, tacos, burritos, bowls, salads, and quesadillas. You therefore agree that, during the Term, neither you nor any of your Owners, directors or officers, nor any members of your or their Immediate Families (defined below), will:

(a) have any direct or indirect, controlling or non-controlling Ownership Interest – whether financial, beneficial or otherwise – in a Competitive Business (defined below), wherever located or operating;

(b) perform services as a director, officer, manager, teacher, employee, consultant, representative or agent for a Competitive Business, wherever located or operating;

(c) directly or indirectly loan any money or other thing of value to, or guarantee any other person's loan to, or lease any real or personal property to, any Competitive Business (whether directly or indirectly through any owner, director, officer, manager, employee or agent of any Competitive Business), wherever located or operating; or

(d) divert or attempt to divert any actual or potential business or customer of your DT Restaurant to another Competitive Business.

The term “**Competitive Business**” means (1) any restaurant or other business that generates, or is reasonably expected to generate, at least twenty percent (25%) of its revenue from the sale of Latin and Mexican or similar food products, including, without limitation, tacos, burritos, bowls, salads, or quesadillas, whether at wholesale or retail; or (2) an entity that grants franchises or licenses for any of these types of businesses. A Competitive Business does not include a District Taco Restaurant operated under a franchise agreement with us. The term “**Immediate Family**” includes the named individual, his or her spouse, and all children of the named individual or his or her spouse.

14. **Transfer.**

14.A. Transfer by Us. You represent that you have not signed this Agreement in reliance on any direct or indirect owner's, officer's or employee's remaining with us in that capacity. We may change our ownership or form and/or assign this Agreement and any other agreement between us and you (or any of your Owners or affiliates) without restriction. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest in it. After our assignment of this Agreement to a third party who expressly assumes our obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement. Such an assignment shall constitute a release of us and novation with respect to this Agreement, and the assignee shall be liable to you as if it had been an original party to this Agreement.

14.B. Transfer by You – Defined. You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your Owners) and that we have granted you the rights under this Agreement in reliance upon our perceptions of your (or your Owners’) individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, no Transfer (defined below) may be consummated without our prior written approval and satisfying the applicable conditions of this Section 14, subject to our right of first refusal under Section 14.H. A transfer of the ownership, possession or control of your DT Restaurant or the Restaurant Assets may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect.

The term “**Transfer**,” whether or not capitalized, means any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events, whether they impact you (or your Owners) directly or indirectly:

- (1) transfer of record or beneficial ownership of any Ownership Interest or the right to receive all or a portion of your profits or losses or any capital appreciation relating to you or your DT Restaurant (whether directly or indirectly);
- (2) a merger, consolidation or exchange of Ownership Interests, or issuance of additional Ownership Interests or securities representing or potentially representing Ownership Interests, or a redemption of Ownership Interests;
- (3) any sale or exchange of voting interests or securities convertible to voting interests, or any management agreement or other arrangement granting the right to exercise or control the exercise of the voting rights of any Owner or to control your or your DT Restaurant’s operations or affairs;
- (4) transfer of a direct or indirect Ownership Interest or other interest in you, this Agreement, the Restaurant Assets, or your DT Restaurant in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law;
- (5) if you or one of your Owners dies, transfer of a direct or indirect Ownership Interest or other interest in you, this Agreement, the Restaurant Assets, or your DT Restaurant by will, declaration of or transfer in trust, or under the laws of intestate succession; or
- (6) the grant of a mortgage, charge, pledge, collateral assignment, lien or security interest in any Ownership Interest or other interest in you, this Agreement, your DT Restaurant or the Restaurant Assets; foreclosure upon or attachment or seizure of your DT Restaurant or any of its Restaurant Assets; or your transfer, surrender or loss of the possession, control or management of all or any material portion of your DT Restaurant (or its operation) or you.

14.C. Restaurants Opened Pursuant to Development Agreements. You acknowledge our current requirement that (1) developers (directly or through controlled affiliates) must continue to own and operate all of the District Taco Restaurants located in their development areas throughout the entire terms of their franchise agreements. We believe this requirement is important in order to (among other reasons) establish continuity and cooperation among the District Taco Restaurants

in the market and protect the District Taco® brand. Therefore, if this Agreement is signed pursuant to a Development Agreement between you (or your affiliate) (the “**Developer**”) and us, then you and your Owners agree that if you or any of your Owners seek to enter into any Transfer under this Agreement, we may condition our approval of that transfer on (in addition to any other conditions set forth in this Agreement) the simultaneous transfer to that transferee of other rights, interests, obligations, assets, and/or Ownership Interests such that, following such transfer, the Developer or its successor in interest owns and operates (directly or through its controlled affiliates) all of the District Taco Restaurants in the Development Area (as defined in the Development Agreement).

14.D. Conditions for Approval of Transfer. Subject to Section 14.C (Restaurants Opened Pursuant to Development Agreements), we will not unreasonably withhold our approval of a Transfer if:

(1) you (and your affiliates) are then in compliance with all of your obligations under this Agreement and all other agreements with us or our affiliate;

(2) you provide us with written notice of the proposed Transfer and all information we reasonably request concerning the proposed transferee, its direct and indirect owners (if the proposed transferee is an Entity) and the transfer at least thirty (30) days before its effective date;

(3) you and your Owners sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, representatives, agents, successors and assigns;

(4) the proposed transferee and its direct and indirect owners (if the proposed transferee is an Entity) have no direct or indirect Ownership Interest in and do not perform services for a Competitive Business and meet our then applicable standards for non-controlling owners of District Taco Restaurant franchisees;

(5) beginning when the transfer closes, your transferring Owners agree to comply with Sections 17.B(2) (De-Identification), 17.C (Confidential Information) and 17.D (Covenant Not to Compete);

(6) you and your Owners sign the form of agreement and related documents (including Guarantees) that we then specify to reflect your new ownership structure.

(7) the transferee (or its direct or indirect owners) and its management personnel, if they are different from your management personnel, including any new Operating Principal, satisfactorily complete our then-current initial training program applicable to the individual’s position, which at our option might include both preliminary training before the transfer’s closing and additional training after the transfer’s closing;

(8) the transferee (if the transfer is of this Agreement) or you (if the transfer is of a direct or indirect Ownership Interest in you) agree to repair and/or replace the Restaurant Assets and upgrade your DT Restaurant and the Site in accordance with our then-current requirements and specifications for new similarly situated District Taco

Restaurants within the time period that we reasonably specify following the effective date of the transfer;

(9) the transferee (if the transfer is of this Agreement) or you (if the transfer is of a direct or indirect Ownership Interest in you) agree, at our option, to (a) be bound by all terms and conditions of this Agreement for the remainder of the term, or (b) sign our then-current form of franchise agreement and related documents, which may contain terms and conditions (including fees) that differ materially from any or all of those in this Agreement, except that the term of such franchise agreement shall be the remaining term of this Agreement;

(10) you or the transferee pays us a transfer fee to partially cover some of our costs and expenses incurred in evaluating the transferee and the transfer (in addition to any other transfer or other fees payable under any Development Agreement, other franchise agreement, or other agreement with us or our affiliate) in an amount equal to Five Thousand Dollars (\$5,000); and

(11) we have determined that the purchase price and payment terms will not adversely affect the operation of your DT Restaurant, and if you or your Owners finance any part of the purchase price, you and they agree that the financial obligations of DT Restaurant are second to the transferee's obligation to pay all amounts due to us and our affiliates and otherwise to comply with this Agreement.

At our sole option, we may review all information regarding your DT Restaurant that you or your Owners give the transferee and give the transferee copies of any reports that you have given us or we have made regarding your DT Restaurant. You acknowledge that we have legitimate reasons to evaluate the qualifications of potential transferees (and their direct and indirect owners) and the terms of the proposed transfer, and that our contact with potential transferees (and their direct and indirect owners) to protect our business interests will not constitute tortious, improper or unlawful conduct.

14.E. Transfer to a Wholly-Owned Entity. Despite Section 14.D, if you are an individual or individuals and are in full compliance with this Agreement, then upon at least ten (10) days' prior written notice to us, you may transfer this Agreement, together with the Restaurant Assets and all other assets associated with your DT Restaurant, to an Entity which conducts no business other than your DT Restaurant and, if applicable, other District Taco Restaurants and of which you own and control one hundred percent (100%) of the equity and voting power of all Ownership Interests, provided that all of your DT Restaurant's assets are owned, and your DT Restaurant's business is conducted, only by that single Entity. You, your Owners, and the transferee Entity must sign the form of agreement and related documents (including Guarantees) that we then reasonably specify to reflect the assignment of this Agreement to the transferee Entity, and you and your Owners (including, if you are a group of individuals, any individual who will no longer have an Ownership Interest in the transferee Entity) must sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, representatives, agents, successors and assigns. Subsequent transfers of direct and indirect Ownership Interests in the transferee Entity are subject to all of the requirements for Transfer in this Section 14.

14.F. Death or Disability. Upon your or an Owner's death or disability, your or the Owner's executor, administrator, conservator, guardian or other personal representative (the "**Representative**") must notify us within ten (10) days and transfer your interest in this Agreement, the Restaurant Assets and your DT Restaurant, or such Owner's direct or indirect Ownership Interest in you, to a third party whom we approve. That transfer (including transfer by bequest or inheritance) must occur within a reasonable time, not to exceed six (6) months from the date of death or disability for the Operating Principal and twelve (12) months from the date of death or disability for all other Owners, and is subject to all of the terms and conditions in this Section 14. A failure to transfer such interest within this time period is a breach of this Agreement. The term "**disability**" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or the Owner from supervising you or your DT Restaurant's management and operation for thirty (30) or more consecutive days.

14.G. Effect of Consent to Transfer. Our consent to any Transfer is not a representation of the fairness of the terms of any contract between you (or your Owner(s)) and the transferee, a guarantee of your DT Restaurant's or transferee's prospects of success, or a waiver of any claims we have against you (or your Owners) or of our right to demand the transferee's full compliance with this Agreement's terms or conditions.

14.H. Our Right of First Refusal. If you or any of your Owners at any time determines to engage in a Transfer, whether in one transfer or a series of related transfers, you agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer relating exclusively to an interest in this Agreement and your DT Restaurant (and its assets) or a direct or indirect Ownership Interest in you. To be a valid, bona fide offer, the offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price, the proposed purchase price must be in a fixed dollar amount and without any contingent payments of purchase price (such as earn-out payments), and the proposed transaction must relate exclusively to an interest in this Agreement and your DT Restaurant (and its assets) or a direct or indirect Ownership Interest in you and not to any other interests or assets.

We may, by delivering written notice to you within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that: (1) we may substitute cash for any form of consideration proposed in the offer; (2) our credit will be deemed equal to the credit of any proposed buyer; (3) the closing will be not less than sixty (60) days after notifying you of our election to purchase or, if later, the closing date proposed in the offer, provided that we may delay the closing until it obtains all necessary liquor and other licenses and permits to operate your DT Restaurant; and (4) we must receive, and you and your Owners agree to make, all customary representations, warranties and indemnities given by the seller of the assets of a business or Ownership Interests in an Entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and Ownership Interests, liens and encumbrances on assets, validity of contracts and agreements, and the liabilities, contingent or otherwise, relating to the assets or Ownership Interests being purchased, and indemnities for all actions, events and conditions that existed or occurred in connection with your DT Restaurant or your business prior to the closing of our purchase. We may also elect, at our option, to purchase not only the interest proposed to be sold, but also the entirety of the interests in this Agreement

and your DT Restaurant (and its assets) or direct or indirect Ownership Interests in you, with the price for the additional interest proportional to the interest originally proposed to be sold.

If we do not exercise our right of first refusal, you or your Owners may complete the sale to the proposed buyer on the original offer's terms, but only if we approve the transfer as provided in this Section 14. If you do not complete the sale to the proposed buyer (with our approval) within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the offer (which you must tell us promptly), we will have an additional right of first refusal during the thirty (30)-day period following either the expiration of the sixty (60)-day period or our receipt of notice of the material change in the offer's terms, either on the terms originally offered or the modified terms, at our option.

We may assign our right of first refusal under this Section 14.H to any Entity (who may be our affiliate), and that Entity will have all of the rights and obligations under this Section 14.H.

14.I. Public and Private Offering Fee. Securities or partnership interests in you may be offered to the public or private market (each, a "**Public/Private Offering**") only with our prior written consent. As a condition of our approval to a Public/Private Offering, we may, in our sole discretion, require that you and the Owners, as applicable, retain a Controlling Interest in you following the Public/Private Offering. For the purpose of this Agreement, the term "**Controlling Interest**" shall mean more than fifty percent (50%) of the total authorized Ownership Interests. All materials required for a Public/Private Offering by federal or state law shall be submitted to us for a limited review as discussed below prior to being filed with any governmental agency, and any materials (including any private placement memoranda) to be used in any exempt offering or private placement shall be submitted to us for such review prior to use. No offering (public or private) shall imply (by use of the Marks or otherwise) that we are participating in an underwriting, issuance or offering of securities of you or us, and our review of any offering materials shall be limited solely to the subject of the relationship between you and us and our affiliates. We may, at our option, require your offering materials to contain a written statement prescribed by us concerning the limitations described in the preceding sentence. You, your Owners and the other participants in the Public/Private Offering must fully indemnify us and the Indemnified Parties (as defined in Section 18.D) in connection with the Public/Private Offering. For each proposed Public/Private Offering, you shall pay to us a non-refundable fee of Five Thousand Dollars (\$5,000) to reimburse us and cover the allocated costs of interdepartmental review and document preparation associated with reviewing the proposed Public/Private Offering, including, without limitation, legal and accounting fees. You shall give us written notice at least thirty (30) days prior to the date of commencement of any Public/Private Offering.

15. Successor Franchise Rights.

15.A. Exercise of Successor Franchise Right. When this Agreement expires (unless it is terminated sooner), if you satisfy the conditions of this Section 15, you will have the right to acquire a successor franchise to continue operating your DT Restaurant as a District Taco Restaurant for one (1) successor franchise term of ten (10) years. However, your right to a successor franchise shall only apply if: (1) you deliver us written notice of your election to acquire a successor franchise (the "**Successor Franchise Notice**") at least six (6) months but not more than twelve (12) months, before the end of the Term; (2) you have complied with this Agreement

in all material respects throughout the Term and is, both on the date you gives us the Successor Franchise Notice and on the date on which the term of the successor franchise commences, in full compliance with this Agreement, including all DT Standards; (3) you demonstrate that you have the right to maintain possession of the Site for at least ten (10) years following this Agreement's expiration; and (4) on or before the date upon which the successor franchise commences, you have renovated and/or remodeled your DT Restaurant (which may include structural alterations), added or replaced Restaurant Assets, and otherwise modified your DT Restaurant as we then require in order to meet our then-current requirements for new similarly situated District Taco Restaurants.

15.B. Successor Franchise Documents. If you have satisfied all of the conditions under Section 15.A to acquire the successor franchise, then on or before the date upon which this Agreement expires, you and your Owners must:

(1) sign our then-current form of franchise agreement and related documents to operate your DT Restaurant for the successor franchise term, the provisions of which (including the fees and the rights in, and geographic area comprising, the Primary Area of Responsibility) may differ from any and all of those contained in this Agreement;

(2) pay us the initial franchise fee under our then-current franchise agreement;
and

(3) sign a general release in the form that we specify as to any and all claims against us, our affiliates, and our and their respective owners, officers, directors, employees, agents, representatives, successors and assigns.

15.C. Holdover. If this Agreement expires without the grant of a successor franchise and you fail or refuse to comply with the post-expiration obligations under Section 17, then without limiting our other rights and remedies under this Agreement and applicable law, we may, at our sole option, treat the Term as extended on a week-to-week basis until either we or you deliver thirty (30) days' written notice to the other ending such extension.

16. Termination of Agreement.

16.A. Termination by You. You may terminate this Agreement if we commit a material breach of any of our obligations under this Agreement and fail to correct such breach within thirty (30) days after your delivery of written notice to us of such breach; provided, however, that if we cannot reasonably correct the breach within this thirty (30)-day period but provide you, within this thirty (30) day-period, with reasonable evidence of our effort to correct the breach within a reasonable time period, then the cure period shall run through the end of such reasonable time period. Your termination of this Agreement (including by taking steps to de-identify your DT Restaurant or otherwise cease operations under this Agreement) other than in accordance with this Section 16.A is a termination without cause and a breach of this Agreement.

16.B. Termination by Us. We may, at our option, terminate this Agreement, effective upon delivery of written notice of termination to you, if:

(1) you or any of your Owners has made or makes a material misrepresentation or omission in acquiring any of the rights under this Agreement or operating your DT

Restaurant or you submit to us any report or statement that you know or should know to be false or misleading;

(2) you, the Operating Principal, your General Manager, Multi-unit Manager, if applicable, or any other DT Restaurant personnel whom we require to attend our initial training program do not satisfactorily complete that training, and do not correct the failure within thirty (30) days;

(3) you fail to deliver a complete Site Report to us within thirty (30) days after the Agreement Date, and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you;

(4) you fail to sign a Lease that we have accepted within either nine (9) months after the Agreement Date for your first Restaurant or six (6) months after the Agreement Date for your second or any subsequent Restaurant, or you fail to open your DT Restaurant in compliance with this Agreement on or before the Opening Deadline, and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you;

(5) you fail to deliver to us construction plans for our approval, or fail to obtain our approval of such plans, before you begin construction on your DT Restaurant, and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you;

(6) you abandon or fail actively to operate your DT Restaurant during the required hours of operation for two (2) or more consecutive calendar days, or for three (3) or more calendar days during any thirty (30)-day period, unless you close your DT Restaurant for a purpose we approve, or on federal holidays that we approve or designate, or in response to casualty or force majeure event;

(7) you surrender or transfer control of you or your DT Restaurant's management or operation without our prior written consent;

(8) you or any of your Owners is convicted of, or pleads no contest to, a felony;

(9) you or any of your Owners engages in any dishonest, unethical or illegal conduct which, in our opinion, adversely affects your DT Restaurant's reputation, the reputation of other District Taco Restaurants or the goodwill associated with the Marks;

(10) you fail to maintain the insurance we require from time to time and/or you fail to provide us with proof of such insurance as this Agreement requires, and do not correct that failure within thirty (30) days after we deliver written notice of the failure to you;

(11) you interfere with our right to inspect your DT Restaurant or observe your operation or our right to audit your books and records;

(12) you or any of your Owners makes an unauthorized transfer in breach of this Agreement;

- (13) you fail to achieve Performance Standards in two (2) consecutive years;
- (14) any other franchise agreement or other agreement between us (or any of our affiliates) and you (or any of your Owners or affiliates), other than a Development Agreement, is terminated before its term expires, regardless of the reason;
- (15) you or any of your Owners, directors or officers (or any members of your or their Immediate Families) breaches Section 13 or knowingly makes any unauthorized use or disclosure of any part of the DT Manual or any other Confidential Information;
- (16) you violate any law, ordinance or regulation relating to the ownership or operation of your DT Restaurant, or operate your DT Restaurant in an unsafe manner, and (if the violation can be corrected) you do not begin to correct the violation immediately, and correct the violation fully within twenty-four (24) hours, after you receive notice of the violation from us or any other party;
- (17) you fail to pay when due any federal, state or local income, sales or other taxes due, or repeatedly fail to make or delay making payments to your suppliers or lenders
- (18) you or any of your Owners fails on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with any one or more obligations under this Agreement, whether or not any of these failures are corrected after we deliver written notice to you and whether these failures involve the same or different obligations under this Agreement;
- (19) you or any of your Owners fails on two (2) or more separate occasions within any six (6) consecutive month period, or on three (3) or more separate occasions within any thirty-six (36) consecutive month period, to comply with the same obligation under this Agreement, whether or not any of these failures are corrected after we deliver written notice to you;
- (20) you or any Owner makes an assignment for the benefit of creditors or admits in writing your or its insolvency or inability to pay your or its debts generally as they become due; you or any Owner consents to the appointment of a receiver, trustee or liquidator of all or the substantial part of your or its property; your DT Restaurant or any of the Restaurant Assets is attached, seized, subjected to a writ, or levied upon, unless the attachment, seizure, writ, warrant or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee or liquidator of you, any Owner or your DT Restaurant is not vacated within thirty (30) days following the order's entry;
- (21) you fail to pay us (or our affiliates) any amounts due, whether arising under this Agreement or any other agreement, and do not correct the failure within five (5) days after we deliver written notice of that failure to you; or
- (22) you fail to comply with any other provision of this Agreement or any mandatory DT Standard and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you.

17. Rights and Obligations Upon Termination or Expiration.

17.A. Payment of Amounts Owed.

(1) You agree to pay within ten (10) days after this Agreement expires or is terminated, or on any later date that the amounts due are determined, all amounts owed to us or our affiliates under this Agreement or any related agreement which then are unpaid.

(2) You acknowledge and confirm that we will suffer substantial damages as a result of the termination of this Agreement before the Term expires, including lost future Royalties and Innovation Fund contributions, lost market penetration and goodwill, loss of representation in your DT Restaurant's market area, lost opportunity costs, and expenses that we will incur in developing or finding another franchisee to develop another District Taco Restaurant in your DT Restaurant's market area (collectively, "**Brand Damages**"). We and you acknowledge that Brand Damages are difficult to estimate accurately and proof of Brand Damages would be burdensome and costly, although such damages are real and meaningful to us. Therefore, upon termination of this Agreement pursuant to Section 16.B, you agree to pay us, within fifteen (15) days after the date of such termination, liquidated damages in a lump sum in an amount equal to the product of (a) the average monthly Royalties and Innovation Fund contributions that you owed us during the twelve (12) full calendar month period before the month of termination (or such shorter period during which your DT Restaurant operated), multiplied by (b) thirty-six (36) or the number of months then remaining in the Term had it not been terminated, whichever is less. You agree that the liquidated damages calculated under this Section 17.A represent the best estimate of our Brand Damages arising from such termination. Your payment of the liquidated damages to us will not be considered a penalty but, rather, a reasonable estimate of fair compensation to us for the Brand Damages we will incur because this Agreement did not continue for the Term's full length. You acknowledge that your payment of liquidated damages is full compensation to us only for the Brand Damages resulting from the early termination of this Agreement and is in addition to, and not in lieu of, your obligations to pay other amounts due to us under this Agreement as of the date of termination and to comply strictly with all other provisions of this Section 17.

17.B. De-Identification. When this Agreement expires or is terminated for any reason:

(1) you must take any actions that are required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks and, at our option, to assign to us (or our designee) or cancel any telephone number, post office boxes, direct listings, electronic address, domain name or website, or rights maintained in connection with any search engine or other technology, that directly or indirectly associates you or your DT Restaurant with us, the Marks, the Franchise System or the network of District Taco Restaurants;

(2) beginning on the De-identification Date (defined below) or the closing of the acquisition of the Purchased Assets (defined in Section 17.E) under Section 17.E, you and your Owners shall not directly or indirectly at any time thereafter or in any manner (except in connection with other District Taco Restaurants they own and operate):

(a) identify yourself or themselves or any business as a current or former District Taco Restaurant or as one of our current or former franchisees or licensees; (b) use any Mark, any colorable imitation of a Mark, any trademark, service mark or commercial symbol that is confusingly similar to any Mark, or any other indicia of a District Taco Restaurant in any manner or for any purpose, including in or on any advertising or marketing materials, forms, or any website, Social Media or other electronic media; or (c) use for any purpose any trade dress, trade name, trademark, service mark or other commercial symbol that indicates or suggests a connection or association with us or the network of District Taco Restaurants;

(3) within three (3) days after the De-identification Date, you must remove and deliver to us (or, at our option, destroy) all exterior and interior signs, Local Marketing and other advertising, marketing and promotional materials, forms and other documents containing any of the Marks or otherwise identifying or relating to a District Taco Restaurant; and

(4) within ten (10) days after the De-identification Date, you must make such alterations as we reasonably specify to distinguish your DT Restaurant and its assets clearly from their former appearance as a District Taco Restaurant and from other District Taco Restaurants so as to prevent a likelihood of confusion by the public and otherwise take the steps that we specify to de-identify your DT Restaurant, including permanently removing all Marks and trade dress from your DT Restaurant's walls and altering your DT Restaurant's color scheme, layout and other aspects of the trade dress associated with the Franchise System.

You must provide us written evidence (including pictures, as applicable) of your compliance with this Section 17.B upon our request. If you fail to comply with any of your obligations under this Section 17.B, then, without limiting our other rights and remedies under this Agreement or applicable law, we or our designee may take any action that this Section 17.B requires on your behalf and at your expense, including by entering your DT Restaurant and adjacent areas, without prior notice or liability, to remove the items and/or make the alterations that this Section 17.B requires. The “**De-identification Date**” means: (i) the closing date of our (or our assignee's) purchase of the Purchased Assets pursuant to Section 17.E; or (ii) if that closing does not occur, the date upon which the option under Section 17.E expires or the date upon which we provide you with written notice of our decision not to exercise that option, whichever occurs first. If we or our assignee acquires the Purchased Assets under Section 17.E, then your obligations under Sections 17.B(3) and (4) will be void and of no force or effect.

17.C. Confidential Information. You agree that, when this Agreement expires or is terminated, you and your Owners will immediately cease using any Customer Data and other Confidential Information, whether directly or indirectly through one or more intermediaries, in any business or otherwise and return to us all copies of the DT Manual and any other confidential materials that we have loaned you.

17.D. Covenant Not to Compete. Upon expiration (without the grant of a successor franchise) or termination of this Agreement for any reason except pursuant to Section 16.A, and except with respect to other franchise agreements with us then in effect, you and your Owners

agree that, for two (2) years beginning on the effective date of termination or expiration (subject to extension as provided below), neither you nor any of your Owners, nor any members of your or their Immediate Families, will:

(1) have any direct or indirect ownership interest in any Competitive Business which is located or providing products to customers: (a) at the Site; (b) within a twenty-five (25)-mile radius of the Site; or (c) within a twenty-five (25)-mile radius of any District Taco Restaurant then operating or under construction on the effective date of the termination or expiration; or

(2) perform services as a director, officer, manager, employee, consultant, representative or agent for a Competitive Business which is located or providing products to customers (a) at the Site; (b) within a twenty-five (25)-mile radius of the Site; or (c) within a twenty-five (25)-mile radius of any District Taco Restaurant then operating or under construction on the effective date of the termination or expiration.

The time period during which these restrictions apply will be automatically extended, with respect to all persons covered by this Section 17.D, for each day during which any person covered by this Section 17.D is not complying fully with this Section 17.D. These restrictions also apply after transfers and other events, as provided in Section 14.D(5), and are in addition to the restrictions in Section 17.F. You (and each of your Owners) acknowledge that you (and they) possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section 17.D will not deprive you or them of personal goodwill or the ability to earn a living.

17.E. Our Right to Purchase Restaurant Assets.

(1) **Exercise of Option.** Upon termination of this Agreement for any reason (other than your termination in accordance with Section 16.A) or expiration of this Agreement without our and your signing a successor franchise agreement, we have the option, exercisable by giving you written notice within fifteen (15) days after the date of termination or expiration (the “**Exercise Notice**”), to purchase those Restaurant Assets and other assets used in the operation of your DT Restaurant that we designate (the “**Purchased Assets**”). We have the unrestricted right to exclude any assets we specify relating to your DT Restaurant from the Purchased Assets and not acquire them. You agree to provide us with the financial statements and other information we reasonably require, and to allow us to inspect your DT Restaurant and its assets, to determine whether to exercise our option under this Section 17.E. If you or one of your affiliates owns the Site, we may elect to lease the Site from you or that affiliate for an initial five (5)-year term with one (1) renewal term of five (5) years (at our option) on commercially reasonable terms. You (and your Owners) agree to cause your affiliate to comply with these requirements. If you lease the Site from an unaffiliated lessor, you agree (at our option) to assign the Lease to us, subject to approval by the applicable landlord which you agree to seek to obtain.

(2) **Operations Pending Purchase.** While we are deciding whether to exercise our option under this Section 17.E, and, if we do exercise that option, during the period beginning with our delivery of the Exercise Notice and continuing through the closing of

the purchase, you must continue to operate your DT Restaurant according to this Agreement and all DT Standards. However, we may, at any time during that period, enter your DT Restaurant's premises and assume the management of your DT Restaurant itself or appoint a third party (who may be our affiliate) to manage your DT Restaurant. All funds from the operation of your DT Restaurant while we or our appointee assumes your DT Restaurant's management will be kept in a separate account, and all of the expenses of your DT Restaurant will be charged to that account. We or our appointee may charge you (in addition to the amounts due under this Agreement) a management fee equal to three percent (3%) of your DT Restaurant's Gross Sales during the period of management, plus any direct costs and expenses associated with the management. We or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses or obligations your DT Restaurant incurs, or to any of your creditors for any products or services your DT Restaurant purchases, while managing it. You shall not take any action or fail to take any action that would interfere with our or our appointee's exclusive right to manage your DT Restaurant.

(3) **Purchase Price.** The purchase price for the Purchased Assets will be their fair market value for use in the operation of a Competitive Business at a location other than the Site, but not a District Taco Restaurant as a going concern. The purchase price will not include any value for any rights granted by this Agreement, goodwill attributable to the Marks, our brand image, any Confidential Information or our other intellectual property rights, or participation in the network of District Taco Restaurants.

(4) **Appraisal.** If we and you cannot agree on fair market value for the Purchased Assets, fair market value will be determined by three (3) independent appraisers, each of whom in doing so will be bound by the criteria specified in subparagraph (3). We will appoint one appraiser, you will appoint one appraiser, and these two appraisers will appoint the third appraiser. You and we agree to appoint our and your respective appraisers within fifteen (15) days after we deliver the Exercise Notice (if you and we have not agreed on fair market value before then), and the two appraisers so chosen must appoint the third appraiser within ten (10) days after the last of them is appointed. If either we or you do not appoint our or your respective appraiser by that deadline, then the other party's appointed appraiser shall be the sole appraiser to determine the purchase price under this Subsection (4). We and you each will bear the costs of our and your own appointed appraiser and share equally the fees and expenses of the third appraiser. Within thirty (30) days after we deliver the Exercise Notice, each party shall submit its respective calculation of fair market value to the appraisers in such detail as the appraisers request and according to the criteria specified in subparagraph (3). Within ten (10) days after receiving both calculations, the appraisers shall determine, by a majority vote, the fair market value. The appraisers' choice shall be the purchase price.

(5) **Closing.** We will pay the purchase price at the closing, which will take place within sixty (60) days after the purchase price is determined or, if later, on the date upon which we obtain the liquor license and other licenses and permits to operate your DT Restaurant. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us or our affiliates. We are entitled to all customary representations, warranties and indemnities in our asset purchase, including representations

and warranties as to ownership and condition of, and title to, assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise, and indemnities for all actions, events and conditions that existed or occurred in connection with your DT Restaurant or your business prior to the closing of the purchase. At the closing, you agree to deliver instruments transferring to us: (a) good and merchantable title to the Purchased Assets, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; and (b) all of your DT Restaurant's licenses and permits (including liquor licenses) which may be assigned or transferred. If you cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the sale will be closed through an escrow. You and your Owners further agree to sign general releases on or before the closing date, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, agents, representatives, successors and assigns.

(6) **Assignment.** We may assign our rights under this Section 17.E to any Entity (who may be our affiliate), and that Entity will have all of the rights and obligations under this Section 17.E.

17.F. **Restriction on Sale of Location.** During the Term and for two (2) years beginning on the effective date of expiration (without the grant of a successor franchise) or termination of this Agreement for any reason, you agree that neither you nor any of your Owners, nor any of your affiliates, will engage in any transfer, lease/sublease or other transaction the result of which is that a Competitive Business (other than your DT Restaurant contemplated by this Agreement) is operated at the Site, including by any unaffiliated third party. You agree to obtain (and/or to cause your Owners or affiliates to obtain) an agreement from any subtenant, transferee or other party occupying the Site pursuant to or as a result of any arrangement with you (or your Owner or affiliate) that the Site will not be operated as a Competitive Business during such period.

17.G. **Continuing Obligations.** All of our and your (and your Owners') obligations under this Agreement which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until these obligations are satisfied in full or by their nature expire.

18. Relationship of the Parties/Indemnification.

18.A. **Independent Contractors.** You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us. You have no authority, express or implied, to act as the agent of us or any of our affiliates for any purpose. You are, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, your DT Restaurant and its business, including any personal property, equipment, fixtures or real property and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of your DT Restaurant. Further, we and you are not and do not intend to be partners, associates, or joint employers in any way, or to have us be your employer, and we shall not be construed to be jointly liable for any of your acts or omissions under any circumstances. We (and our affiliates) will not exercise direct or indirect control over the working conditions of DT

Restaurant personnel, except to the extent such indirect control is related to our legitimate interest in protecting our Marks and the quality of the Products and Services associated with the Marks. We (and our affiliates) do not share or codetermine the employment terms and conditions of your DT Restaurant's employees and do not affect matters relating to the employment relationship between you and your DT Restaurant's employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You agree to identify yourself conspicuously in all dealings with customers, prospective customers, employees, suppliers, public officials and others as your DT Restaurant's owner operating under a franchise that we have granted and to place notices of independent ownership on the forms, business cards, employment materials, advertising, signs and other materials we require from time to time.

18.B. No Liability for Acts of Other Party. We and you agree not to make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising out of your DT Restaurant's operation or the business you conduct under this Agreement.

18.C. Taxes. We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon you or your DT Restaurant, due to the business you conduct (except any taxes we are required by law to collect from you for purchases from us and our income taxes). You are responsible for paying these taxes.

18.D. Indemnification and Defense of Claims.

(1) You agree to indemnify and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, representatives, successors and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (a) your DT Restaurant's development or operation; (b) the business you conduct under this Agreement; (c) your breach of this Agreement; (d) your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including those concerning your DT Restaurant's construction, design or operation (including laws pertaining to the service of alcoholic beverages), and including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees; or (e) claims alleging either intentional or negligent conduct, acts or omissions by you (or your contractors or any of your or their employees, agents or representatives), or by us or our affiliates (or our or their contractors or any of our or their employees, agents or representatives), subject to Section 18.D(3). "**Losses**" means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs, including accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

(2) You agree to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Subsection 18.D(1)(a) through (e) above (collectively, “**Proceedings**”), including those alleging the Indemnified Party’s negligence, gross negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to this Section 18.D (instead of having you defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible, subject to Section 18.D(3). An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 18.D. Your obligations under this Section 18.D will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination.

(3) Despite Section 18.D(1), you have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses (including costs of defending any Proceeding under Section 18.D(2)) to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused by the Indemnified Party’s willful misconduct or negligence, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employer) or our failure to compel you to comply with this Agreement, which are claims for which you are not entitled to indemnification pursuant to this Section 18.D(3). However, nothing in this Section 18.D(3) limits your obligation to defend us and the other Indemnified Parties under Section 18.D(2).

19. Enforcement.

19.A. Severability and Substitution of Valid Provisions. Except as expressly provided to the contrary in this Agreement (including in Section 19.F), each Section, Subsection, paragraph, term and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or arbitrator with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant’s validity. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of termination or of our refusal to enter into a successor franchise agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any DT Standard is invalid, unenforceable or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may

modify the invalid or unenforceable provision or DT Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

19.B. Waiver of Obligations and Force Majeure. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. But, no interpretation, change, termination or waiver of any of this Agreement's provisions shall be binding upon us unless in writing and signed by one of our officers, and which is specifically identified as an amendment, termination or waiver under this Agreement. No modification, waiver, termination, rescission, discharge or cancellation of this Agreement shall affect the right of any party hereto to enforce any claim or right hereunder, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge or cancellation. Any waiver we grant will be without prejudice to any other rights we have, will be subject to our continuing review, and may be revoked at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice.

We and you will not be deemed to waive or impair any right, power or option this Agreement reserves (including our right to demand exact compliance with every term, condition and covenant or to declare any breach to be a default and to terminate this Agreement before the Term expires) because of any custom or practice at variance with its terms; our or your failure, refusal or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including your compliance with any DT Standard; our waiver of or failure to exercise any right, power or option, whether of the same, similar or different nature, with other District Taco Restaurants; the existence of franchise or license agreements for other District Taco Restaurants which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any default under this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement or accord and satisfaction. We are authorized to remove any legend or endorsement, and they shall have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government which do not arise from a violation or alleged violation of any law, rule, regulation or ordinance; (2) acts of God; (3) fires, power outages, incapacitating weather, strikes, embargoes, pandemics, government shutdowns, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payment of amounts owed at the time of the occurrence or payment of Royalties, Innovation Fund contributions and other amounts due afterward.

19.C. Costs and Attorneys' Fees. If either we or you initiate a legal proceeding in connection with this Agreement or the relationship of the parties hereto, the prevailing party in such proceeding shall be entitled to seek reimbursement from the non-prevailing party for any

costs and expenses that the prevailing party incurs, including reasonable accounting, attorneys', arbitrators' and related fees.

19.D. Applying and Withholding Payments. Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us (or our affiliates). We may set-off any amounts you or your Owners owe us or our affiliates against any amounts we or our affiliates might owe you or your Owners, whether in connection with this Agreement or otherwise. You may not withhold payment of any amounts owed to us or our affiliates on the grounds of our or their alleged nonperformance of any of our or their obligations under this Agreement or any other agreement.

19.E. Rights of Parties are Cumulative. Our and your rights under this Agreement are cumulative, and our and your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy under this Agreement which we or you are entitled by law to enforce.

19.F. Arbitration. All controversies, disputes or claims between us (and our affiliates and our and their respective owners, officers, directors, managers, agents and employees, as applicable) and you (and your guarantor and affiliates and your and their respective owners, officers, directors, managers, agents and employees, as applicable) arising out of or related to:

- (1) this Agreement or any other agreement between you (or your Owners or affiliates) and us (or our affiliates) or any provision of any of such agreements (including this Section 19.F);
- (2) the relationship between us and you;
- (3) the scope and validity of this Agreement or any other agreement between you (or your Owners or affiliates) and us (or our affiliates) or any provision of any of such agreements (including the scope and validity of the arbitration obligations under this Section 19.F, which you and we acknowledge is to be determined by an arbitrator and not a court); or
- (4) any DT Standard

will be submitted for arbitration to the office of the American Arbitration Association closest to our then-current principal business address. Except as otherwise provided in this Agreement, such arbitration proceedings shall be heard by one (1) arbitrator in accordance with the then existing Commercial Arbitration Rules of the American Arbitration Association. Arbitration proceedings shall be held at a suitable location to be chosen by the arbitrator which is within ten (10) miles of our principal business address at the time that the arbitration action is filed. The arbitrator has no authority to establish a different hearing locale. All matters within the scope of the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.) will be governed by it and not by any state arbitration law.

The arbitrator shall have the right to award or include in his or her award any relief which he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs,

provided that: (i) the arbitrator shall not have authority to declare any Mark generic or otherwise invalid; and (ii) except for punitive, exemplary, treble and other forms of multiple damages available to any party under federal law or owed to third parties which are subject to indemnification under Section 18.D, we and you waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, treble or other forms of multiple damages against the other and agree that, in the event of a dispute between us and you, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction.

We and you agree to be bound by the provisions of any limitation on the period of time by which claims must be brought under this Agreement or applicable law, whichever expires first. We and you further agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with Section 19.C.

We and you agree that arbitration shall be conducted on an individual, not a class-wide, basis, that only we (and our affiliates and our and their respective owners, officers, directors, managers, agents and employees, as applicable) and you (and your guarantors and affiliates and your and their respective owners, officers, directors, managers, agents and employees, as applicable) may be the parties to any arbitration proceeding described in this Section 19.F, and that no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving us and/or any other person or Entity. Notwithstanding the foregoing or anything to the contrary in this Section 19.F or Section 19.A, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 19.F, then we and you agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this Section 19 (excluding this Section 19.F).

The provisions of this Section 19.F are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Notwithstanding anything to the contrary contained in this Section 19.F, we and you each have the right to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. In that case, we and you must contemporaneously submit the dispute for arbitration on the merits according to this Section 19.F.

19.G. Governing Law. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, all controversies, disputes or claims arising from or relating to:

- (1) this Agreement or any other agreement between you (or your Owners or affiliates) and us (or our affiliates);
- (2) the relationship between us and you;
- (3) the validity of this Agreement or any other agreement between you (or your Owners or affiliates) and us (or our affiliates); or
- (4) any DT Standard

will be governed by the laws of the Commonwealth of Virginia, without regard to its conflict of laws rules, except that any law regulating the sale of franchises, licenses, or business opportunities, governing the relationship of a franchisor and its franchisee or the relationship of a licensor and its licensee, or involving unfair or deceptive acts or practices will not apply unless its jurisdictional requirements are met independently without reference to this Section 19.G.

19.H. Consent to Jurisdiction. Subject to the arbitration obligations in Section 19.F, you and your Owners agree that all judicial actions brought by us against you and your guarantors and Owners, or by you or your Owners and guarantors against us, our affiliates or our or their respective owners, officers, directors, agents, or employees, must be brought exclusively in the state or federal court of general jurisdiction in the state, and in (or closest to) the county, where we maintain our principal business address at the time that the action is brought. You and each of your Owners and guarantors irrevocably submits to the jurisdiction of such courts and waives any objection that any of them may have to either jurisdiction or venue. Notwithstanding the foregoing, we may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which you or any of your Owners or guarantors resides or your DT Restaurant is located.

19.I. Waiver of Punitive Damages and Jury Trial. EXCEPT FOR PUNITIVE, EXEMPLARY, TREBLE AND OTHER FORMS OF MULTIPLE DAMAGES AVAILABLE TO ANY PARTY UNDER FEDERAL LAW OR OWED TO THIRD PARTIES WHICH ARE SUBJECT TO INDEMNIFICATION UNDER SECTION 18.D, WE AND YOU (AND YOUR OWNERS AND GUARANTORS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, TREBLE OR OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU (OR YOUR OWNERS AND GUARANTORS), THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

WE AND YOU (AND YOUR GUARANTORS AND OWNERS) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER US OR YOU (OR YOUR OWNERS).

19.J. Binding Effect and Amendment. This Agreement is binding upon us and you and our and your respective guarantors, executors, administrators, heirs, beneficiaries, permitted assigns and successors in interest. Subject to our rights to modify the DT Manual, DT Standards

and Franchise System, this Agreement may not be amended or modified except by a written agreement signed by both you and us.

19.K. Limitations of Claims. EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN US AND YOU (AND YOUR OWNERS AND GUARANTORS) WILL BE BARRED UNLESS AN ARBITRATION OR JUDICIAL PROCEEDING IS COMMENCED IN THE PROPER FORUM WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM.

19.L. Construction. The preambles and exhibits are a part of this Agreement which, together with any riders or addenda signed at the same time as this Agreement, constitutes our and your entire agreement and supersedes all prior and contemporaneous oral or written agreements and understandings between us and you relating to the subject matter of this Agreement. There are no other oral or written representations, warranties, understandings or agreements between us and you relating to the subject matter of this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that we made in the most recent disclosure document (including its exhibits and amendments) that we delivered to you or your representative. Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement and are not binding on us. Except as provided in Sections 18.D and 19.F, nothing in this Agreement is intended nor deemed to confer any rights or remedies upon any person or Entity not a party to this Agreement.

References in this Agreement to us, with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal in connection with your DT Restaurant. The term “**Affiliate**” (whether or not capitalized) means any individual or Entity directly or indirectly owned or controlled by, under common control with, or owning or controlling the party indicated. “**Control**” means the power to direct or cause the direction of management and policies.

If two or more persons are at any time the owners of the rights under this Agreement and your DT Restaurant, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. “**Person**” (whether or not capitalized) means any individual or Entity. The term “**DT Restaurant**” includes all of the assets of the District Taco Restaurant that you operate under this Agreement, including its revenue and income.

The headings of the Sections, Subsections and paragraphs are for convenience only and do not define, limit or construe their contents. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days. The words “**include**,” “**including**,” and words of similar import shall be interpreted to mean “including, but not limited to” and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter. This Agreement may be executed by electronic signature and/or in multiple copies, each of which will be deemed an original.

19.M. The Exercise of Our Judgment. We have the right to operate, develop and change the Franchise System and DT Standards in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and our judgment of what is in the best interests of us or our affiliates, the District Taco Restaurant network generally, or the Franchise System at the time our decision is made, without regard to whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision promotes our or our affiliates' financial or other individual interest. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated or completed actions that require our approval.

20. Notices and Payments.

All written notices, reports and payments permitted or required to be delivered by the provisions of this Agreement or the DT Manual will be deemed so delivered:

- (1) in the case of Royalties, Innovation Fund contributions and other amounts due, at the time we actually debit your account (if we institute an automatic debit program for your DT Restaurant) or receive such amounts;
- (2) one (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or
- (3) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid;

and must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice and/or, with respect to any approvals or notices that we provide to you or your Owners, at your DT Restaurant's address. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement effective on the Agreement Date.

FRANCHISOR

DISTRICT FRANCHISING, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE

(IF ENTITY):

[Entity Name]

By: _____

Name: _____

Title: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

**EXHIBIT A-1
TO THE
DISTRICT TACO FRANCHISE AGREEMENT**

SITE AND PRIMARY AREA OF RESPONSIBILITY

1. The “**Primary Area of Responsibility**” is _____

_____.

The Primary Area of Responsibility shall be either (a) the contiguous property controlled by the landlord within which your DT Restaurant is located, if applicable, or (b) if your DT Restaurant is not located within such a contiguous property, the Site.

2. The “**Site**” is _____.

3. The “**Opening Deadline**” is _____,
as set forth in the Development Agreement.

FRANCHISOR

DISTRICT FRANCHISING, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Entity Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**EXHIBIT A-2
TO THE
DISTRICT TACO FRANCHISE AGREEMENT**

SITE SELECTION TERMS

1. **Site Selection Area.** If you have not yet located an approved Site as of the Agreement Date, the Site will not be identified until you find and we accept the Site, as provided in Section 3.B, but you may look for the Site within the following Site Selection Area:

_____.

2. The “**Site Selection Deadline**” is _____.

FRANCHISOR

DISTRICT FRANCHISING, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Entity Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**EXHIBIT B
TO THE
DISTRICT TACO FRANCHISE AGREEMENT**

OWNERS AND GUARANTORS

OWNERS

The ownership structure for _____ is as follows:

Name: _____ Address: _____	% of Total Share/Units: _____
Name: _____ Address: _____	% of Total Share/Units: _____
Name: _____ Address: _____	% of Total Share/Units: _____
Name: _____ Address: _____	% of Total Share/Units: _____

OFFICERS/EXECUTIVES:

The officers and principal executives for _____ are as follows:

Name: _____	Title: _____
Name: _____	Title: _____
Name: _____	Title: _____

OPERATING PRINCIPAL:

The Operating Principal is _____.

GENERAL MANAGER:

The General Manager is _____.

FRANCHISOR

DISTRICT FRANCHISING, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Entity Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**EXHIBIT C
TO THE
DISTRICT TACO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ___ day of _____, 20___, by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “**Agreement**”) on this date by **DISTRICT FRANCHISING, LLC** (“**we,**” “**us,**” or “**our**”), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ (“**Franchisee**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement); and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including, without limitation, the arbitration, non-competition, confidentiality, and transfer requirements.

Each of the undersigned acknowledges that he, she or it is either an owner (whether direct or indirect) of Franchisee or otherwise has a direct or indirect relationship with Franchisee or its affiliates; that he, she or it will benefit significantly from our entering into the Agreement with Franchisee; and that we would not enter into the Agreement unless each of the undersigned agrees to sign and comply with the terms of this Guaranty.

Each of the undersigned consents and agrees that: (1) his, her or its direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he, she or it will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person or entity; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Franchisee or to any other person or entity, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including, without limitation, the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or any of its owners or guarantors, and for so long as we have any cause of action against Franchisee or any of its owners or guarantors; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any direct or indirect interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty, for the express purpose that none of the undersigned shall be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to us; (ii) all rights to require us to proceed against Franchisee for any payment required under the Agreement, proceed against or exhaust any security from Franchisee, take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this Guaranty or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Franchisee; (iii) any benefit of, or any right to participate in, any security now or hereafter held by us; and (iv) acceptance and notice of acceptance by us of his, her or its undertakings under this Guaranty, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled. We shall have no present or future duty or obligation to the undersigned under this Guaranty, and each of the undersigned waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Franchisee, any other guarantor, or any collateral securing any obligations of Franchisee to us. Without affecting the obligations of the undersigned under this Guaranty, we may, without notice to the undersigned, extend, modify, supplement, waive strict compliance with, or release all or any provisions of the Agreement or any indebtedness or obligation of Franchisee, or settle, adjust, release, or compromise any claims against Franchisee or any other guarantor, make advances for the purpose of performing any obligations of Franchisee under the Agreement, and/or assign the Agreement or the right to receive any sum payable under the Agreement, and the undersigned each hereby jointly and severally waive notice of same. The undersigned expressly acknowledge that the obligations hereunder survive the expiration or termination of the Agreement.

In addition, the undersigned each waive any defense arising by reason of any of the following: (a) any disability, counterclaim, right of set-off or other defense of Franchisee, (b) any lack of authority of Franchisee with respect to the Agreement, (c) the cessation from any cause whatsoever of the liability of Franchisee, (d) any circumstance whereby the Agreement shall be void or voidable as against Franchisee or any of its creditors, including a trustee in bankruptcy of Franchisee, by reason of any fact or circumstance, (e) any event or circumstance that might otherwise constitute a legal or equitable discharge of the undersigned's obligations hereunder, except that the undersigned do not waive any defense arising from the due performance by Franchisee of the terms and conditions of the Agreement, (f) any right or claim of right to cause a marshaling of the assets of Franchisee or any other guarantor, and (g) any act or omission of Franchisee.

If we are required to enforce this Guaranty in a judicial proceeding, and prevail in such proceeding, we shall be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the

undersigned to comply with this Guaranty, the undersigned shall reimburse us for any of the above-listed costs and expenses we incur.

Subject to the arbitration obligations in Section 19.F of the Franchise Agreement and the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between us and the undersigned, must be brought exclusively in the state or federal court of general jurisdiction in the state, and in (or closest to) the county, where we maintain our principal business address at the time that the action is brought. Each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he, she or it might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that we may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he, she or it is domiciled or has assets. EACH OF THE UNDERSIGNED IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, ARISING UNDER OR RELATING TO THIS GUARANTY OR ITS ENFORCEMENT.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

**PERCENTAGE OF OWNERSHIP IN
FRANCHISEE**

[Signature]

_____ %

[Print Name]

[Signature]

_____ %

[Print Name]

[Signature]

_____ %

[Print Name]

[Signature]

_____ %

[Print Name]

**EXHIBIT D
TO THE
DISTRICT TACO FRANCHISE AGREEMENT**

LEASE RIDER

THIS LEASE RIDER is entered into as of _____ by and between **DISTRICT FRANCHISING, LLC (“Company”)**, _____ (“**Franchisee**”), and _____ (“**Landlord**”).

WHEREAS, Company and Franchisee are parties to a District Taco[®] Franchise Agreement dated _____ (the “**Franchise Agreement**”); and

WHEREAS, the Franchise Agreement provides that Franchisee will operate a District Taco Restaurant (“**DT Restaurant**”) at a location that Franchisee selects and Company accepts; and

WHEREAS, Franchisee and Landlord propose to enter into the lease to which this Rider is attached (the “**DT Lease**”), pursuant to which Franchisee will occupy premises located at _____

_____ (the “**DT Premises**”) for the purpose of constructing and operating your DT Restaurant in accordance with the Franchise Agreement; and

WHEREAS, the Franchise Agreement provides that, as a condition to Company authorizing Franchisee to locate your DT Restaurant at the Premises, the parties must execute this Lease Rider;

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth in this Rider and in the Franchise Agreement, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. During the term of the Franchise Agreement, Franchisee will be permitted to use the Premises for the operation of your DT Restaurant and for no other purpose.
2. Subject to applicable zoning laws and deed restrictions and to prevailing community standards of decency, Landlord consents to Franchisee's installation and use of such trademarks, service marks, signs, decor items, color schemes, and related components of the District Taco[®] System as Company may from time to time prescribe for your DT Restaurant.
3. Landlord agrees to furnish Company with copies of all letters and notices it sends to Franchisee pertaining to the Lease and the Premises, at the same time it sends such letters and notices to Franchisee. Notice shall be sent to Company by the method(s) as stated in the lease to:

District Franchising LLC
2890 Emma Lee St., Suite 200
Falls Church, Virginia 22042
Attn: Chris Medhurst
Email: realestate@districttaco.com

4. Company will have the right, without being guilty of trespass or any other crime or tort, to enter the Premises at any time or from time to time (i) to make any modification or alteration it considers necessary to protect the District Taco[®] system and marks, (ii) to cure any default under the Franchise Agreement or under the DT Lease, or (iii) to remove the distinctive elements of the District Taco[®] trade dress upon the expiration or termination of the Franchise Agreement. Neither Company nor Landlord will be responsible to Franchisee for any damages Franchisee might sustain as a result of action Company takes in accordance with this provision. Company will repair or reimburse Landlord for the cost of any damage to the Premises' walls, floor or ceiling that result from Company's removal of trade dress items and other property from the Premises.
5. Franchisee will be permitted to assign the Lease to Company or its designee upon the expiration or termination of the Franchise Agreement. Landlord consents to such an assignment and agrees not to impose any assignment fee or similar charge, or to increase or accelerate rent under the Lease, in connection with such an assignment.
6. If Franchisee assigns the DT Lease to Company or its designee in accordance with the preceding paragraph, the assignee must assume all obligations of Franchisee under the Lease from and after the date of assignment, but will have no obligation to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment.
7. Franchisee may not renew, extend, or assign the Lease or sublet the Premises without Company's prior written consent, and Landlord will not renew or extend the term of the Lease or consent to an assignment or subletting by Franchisee without first verifying that Company has given its written consent to Franchisee's proposed renewal, extension, or assignment or subletting.
8. Landlord and Franchisee will not amend or modify the Lease in any manner that could materially affect any of the provisions or requirements of this Lease Rider without Company's prior written consent.
9. The provisions of this Lease Rider will supersede and control any conflicting provisions of the DT Lease.
10. Landlord acknowledges that Company is not a party to the DT Lease and will have no liability or responsibility under the DT Lease unless and until the DT Lease is assigned to, and assumed by, Company.

IN WITNESS WHEREOF, the parties have executed this Lease Rider of the date first above written:

COMPANY:

DISTRICT FRANCHISING, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

[NAME OF FRANCHISEE]

By: _____

Name: _____

Title: _____

LANDLORD:

By: _____

Name: _____

Title: _____

EXHIBIT C

TO THE FRANCHISE DISCLOSURE DOCUMENT

DEVELOPMENT AGREEMENT

DISTRICT TACO® RESTAURANT
DEVELOPMENT AGREEMENT

Developer Name

Address of Developer

TABLE OF CONTENTS

	<u>PAGE</u>
1. Background.....	1
2. Grant of Development Rights.....	1
3. No District Taco Restaurants in Development Area.....	1
4. Development Fee.....	2
5. Development Obligations and Extension of Deadlines.....	2
6. Site Consultation.....	2
7. Form of Franchise Agreement.....	3
8. No Sublicensing Rights or Rights to Use Marks.....	3
9. Grant of Franchises.....	3
10. Confidentiality and Non-Competition.....	3
11. Term and Termination.....	4
12. Termination.....	4
13. Transfer by Us.....	4
14. Ownership of and Transfer by You.....	5
15. Records, Reports and Financial Statements.....	5
16. Incorporation of Other Terms.....	6
EXHIBIT A: District Taco Development Schedule.....	1
EXHIBIT B: District Taco Development Area.....	1
EXHIBIT C: Developer’s Owners and Managing Owner.....	1

**DISTRICT TACO® RESTAURANT
DEVELOPMENT AGREEMENT**

THIS DEVELOPMENT AGREEMENT (the “**Development Agreement**”) is made and entered into as of this _____ day of _____, 20__ (the “**Agreement Date**”), regardless of the date of the parties’ signatures, between **DISTRICT FRANCHISING, LLC**, a Virginia limited liability company with its principal business address at 2890 Emma Lee St., Suite 200, Falls Church, Virginia 22042 (“**we,**” “**us,**” or “**our**”) and _____, whose principal business address is _____ (“**you**” or “**your**”).

1. Background.

Contemporaneously with this Development Agreement, we and you (or your Controlled Affiliate, as defined below) are signing a Franchise Agreement (the “**First Franchise Agreement**”) under which you (or your Controlled Affiliate) will operate a District Taco® restaurant (the “**First Developer DT Restaurant**”). All capitalized terms used but not defined in this Development Agreement shall have the meanings in the First Franchise Agreement. We and you are signing this Development Agreement to provide you with the right and obligation to develop a number of District Taco Restaurants within a certain geographic area over a certain period of time. We are willing to grant you these development rights if you comply with the terms of this Development Agreement and the Related DT Agreements (defined below) for all other District Taco Restaurants.

2. Grant of Development Rights.

Subject to your (and your affiliates’) compliance with this Development Agreement, the First Franchise Agreement, and all other franchise and other agreements between us (or our affiliate) and you (or your affiliate) (collectively, the “**Related DT Agreements**”), we hereby grant you and/or any of your Controlled Affiliates (defined below) the right, and you assume the obligation, to sign Franchise Agreements (defined in Section 7) to develop and operate _____ District Taco Restaurants, as listed on Exhibit A (including the First Developer DT Restaurant, collectively, the “**Developer DT Restaurants**”) according to a development schedule identified on Exhibit A (the “**Development Schedule**”), and within a geographic area identified on Exhibit B (the “**Development Area**”). “**Controlled Affiliate**” means any corporation, limited liability company or other Entity of which you (together with any Owner) own more than fifty percent (50%) of the total authorized Ownership Interests and that we approve to develop and operate a Developer DT Restaurant pursuant to a Franchise Agreement with us. “**Owner**” means any individual or Entity holding a direct or indirect Ownership Interest (whether of record, beneficially, or otherwise) in you.

3. No District Taco Restaurants in Development Area.

If you are complying with this Development Agreement, and you and your affiliates are fully complying with all of the Related DT Agreements, then during the term of this Development Agreement only, neither we nor our affiliates will operate, or authorize any other party to operate,

a District Taco Restaurant the physical premises of which are located within the Development Area, except for (a) franchises we grant to you (and your Controlled Affiliates), and (b) District Taco Restaurants located at Non-Traditional Locations. We (and any affiliates that we might have from time to time) shall at all times have the right to engage in any activities we or they deem appropriate that are not expressly prohibited by this Development Agreement, whenever and wherever we or they desire, including, without limitation, those which we now reserve in the First Franchise Agreement. Upon expiration or termination of this Development Agreement, we (and our affiliates) may operate, and authorize any other parties to operate, District Taco Restaurants the physical premises of which are located within the Development Area and engage, and allow others to engage, in any other activities we desire within and outside the Development Area without any restrictions whatsoever, subject only to your (or your Controlled Affiliate's) rights under then existing franchise agreements with us.

4. Development Fee.

Simultaneously with signing this Development Agreement, you must pay us a "Development Fee" of _____ Thousand Dollars (\$_____), which is equal to Fifty Thousand Dollars (\$50,000) multiplied by the number of District Taco Restaurants to be developed under this Development Agreement. The Development Fee is fully earned by us when we and you sign this Development Agreement and is non-refundable, even if you do not comply with the Development Schedule.

5. Development Obligations and Extension of Deadlines.

a. To maintain its rights under this Development Agreement, you (and/or your Controlled Affiliates) must (i) sign a Franchise Agreement for each of the Developer DT Restaurants on or before the applicable dates set forth on the Development Schedule (the "FA Signing Deadline"), and (ii) open and begin operating those Developer DT Restaurants in accordance with the applicable Franchise Agreement on or before the applicable dates set forth on the Development Schedule (the "Restaurant Opening Deadline"). Time is of the essence under this Development Agreement.

b. If you want to request a ninety (90)-day extension of the FA Signing Deadline and/or the Restaurant Opening Deadline for any Developer DT Restaurant, you must submit a written request and a Ten Thousand Dollar (\$10,000) extension fee to us before the applicable deadline. If we grant the extension, the extension fee will be nonrefundable. If we deny the extension, we will refund to you the extension fee. Nothing in this Section 5 requires us to grant any extension.

6. Site Consultation.

At your option, we will provide you with up to two (2) hours of consultation and advice related to site selection for each Developer DT Restaurant at no charge, as we deem appropriate. If you request additional consultations and advice, you must pay us a consultation fee equal to Two Hundred and Fifty Dollars (\$250) per person per hour. We may increase the amount to be charged for such consulting services upon thirty (30) days' prior written notice to you. Despite any

assistance, information or recommendations that we provide with respect to potential sites for Developer DT Restaurants, we will make no representations or warranties of any kind, express or implied, of the suitability of any sites for Developer DT Restaurants or any other purpose.

7. Form of Franchise Agreement.

The franchise agreement and related documents that you (or your Controlled Affiliate) sign for each Developer DT Restaurant will be the form of franchise agreement and any ancillary agreements we then customarily use in granting franchises for District Taco Restaurants (collectively, the “Franchise Agreement”), any or all of the terms of which may differ from the terms contained in the First Franchise Agreement, except that, for each Franchise Agreement the initial franchise fee will be Twenty-Five Thousand Dollars (\$25,000). To retain your rights under this Development Agreement, each Developer DT Restaurant must operate continuously once opened throughout the term of this Development Agreement.

8. No Sublicensing Rights or Rights to Use Marks.

This Development Agreement does not grant you any right to license others to operate District Taco Restaurants. Only you (and your Controlled Affiliates) may develop District Taco Restaurants pursuant to this Development Agreement and only under Franchise Agreements with us. This Development Agreement does not grant you any right to use, or authorize others to use, the Marks in any manner. Your right to use the Marks arises only under Franchise Agreements with us. Our affiliate owns all rights to the Marks, and your unauthorized use of the Marks is an infringement of our and our affiliate’s rights and a breach of this Development Agreement.

9. Grant of Franchises.

You or your Controlled Affiliate (and your or its Owners) must sign a separate Franchise Agreement and related documents, including personal guarantees, for each Developer DT Restaurant. If you or your Controlled Affiliate (and your or its Owners) do not sign a separate Franchise Agreement and related documents within the time periods set forth in the Development Schedule, or do not open and begin operating the Developer DT Restaurant under that Franchise Agreement within the time periods set forth in the Development Schedule, then we may terminate this Development Agreement according to Section 12. After you (or your Controlled Affiliate) signs the Franchise Agreement and related documents, their terms and conditions will control the development and operation of the Developer DT Restaurant.

10. Confidentiality and Non-Competition.

a. Sections 12.A, 12.C and 13 of the First Franchise Agreement, entitled “Confidential Information,” “Innovations” and “Exclusive Relationship,” are incorporated by reference into this Development Agreement as if fully restated within the text of this Development Agreement. You agree to comply, and ensure your Owners comply, with the provisions of Sections 12.A, 12.C and 13 of the First Franchise Agreement applicable to Franchisee.

b. Section 17.D of the First Franchise Agreement, entitled “Covenant Not to Compete,” is incorporated by reference in this Development Agreement as if fully restated within the text of the Agreement. For two (2) years after the expiration, termination or approved transfer of this Development Agreement, you and your Owners shall be subject to, and agree to comply with, the same restrictions as in Section 17.D in the First Franchise Agreement, except the restrictions in Section 17.D shall be geographically limited to any location within a twenty-five (25) mile radius of the former Development Area or any other District Taco Restaurant that is operating or under development at the time of the expiration, termination, or approved transfer of this Development Agreement. With respect to the Owners, the time period in this Section 17.D will run from the expiration, termination, or approved transfer of this Development Agreement or from the termination of the Owner’s relationship with you, whichever occurs first.

11. Term and Termination.

The term of this Development Agreement begins on the Agreement Date and ends on the date when the final Franchise Agreement under the Development Schedule has been signed or this Development Agreement otherwise is terminated under Section 12, whichever occurs first.

12. Termination.

Without limiting our termination and other rights under any other Related DT Agreement, or applicable law, we may terminate this Development Agreement, effective upon delivery of written notice of termination to you, if:

a. you or any of your Owners has made or makes any material misrepresentation or omission in acquiring the rights under this Development Agreement or operating the business under this Development Agreement;

b. you or any of your Owners either (i) engages in any dishonest, unethical or illegal conduct which, in our reasonable opinion, adversely affects or might adversely affect the reputation of your business, the reputation of other District Taco Restaurants or the goodwill associated with the Marks, or (ii) is convicted of, or pleads no contest to, a felony;

c. you or any of your Owners breaches any provision of this Development Agreement, including, without limitation, any failure to comply with the Development Schedule, and do not correct such breach within thirty (30) days after we deliver written notice of the breach to you; or

d. you or any of your Controlled Affiliates breaches or is in default under, or we (or our affiliate) terminates for any reason, any other Related DT Agreement.

13. Transfer by Us.

You represent that you have not signed this Development Agreement in reliance on any affiliate’s, owner’s, officer’s or employee’s remaining with us in that capacity. We may change our ownership or form and/or assign this Development Agreement without your consent or any other restriction. This Development Agreement will inure to the benefit of any transferee or other

legal successor to our interest in it. After our assignment of this Development Agreement to a third party who expressly assumes our obligations under this Development Agreement, we no longer will have any performance or other obligations under this Development Agreement. Such an assignment shall constitute a release of us and novation with respect to this Development Agreement, and the assignee shall be liable to you as if it had been an original party to this Development Agreement.

14. Ownership of and Transfer by You.

a. If you are an Entity, you represent and warrant that Exhibit C to this Development Agreement completely and accurately describes all of your Owners and the Ownership Interests of each Owner. You agree that an individual whom we approve (the “Operating Principal”) must at all times during the term of this Development Agreement devote sufficient time and attention to the operation of, and to promote and enhance, your business under this Development Agreement and all the DT Restaurants developed pursuant to this Agreement. The Operating Principal’s name as of the Agreement Date is listed on Exhibit C.

b. You acknowledge that the rights and duties this Development Agreement creates are personal to you and your Owners and that we have granted you the rights under this Development Agreement in reliance upon our perceptions of your (or your Owners’) character, skill, aptitude, business ability and financial capacity. These rights are personal to you and your Owners. Therefore, you and your Owners agree that neither you nor any of the Owners may transfer this Development Agreement or any of the Ownership Interests in you (whether directly or indirectly) without our prior written approval, which we may grant or withhold for any or no reason.

c. You acknowledge our current requirement that developers (directly or through controlled affiliates) must continue to own and operate all of the District Taco Restaurants located in their development areas throughout the entire terms of their franchise agreements. We believe this requirement is important in order to (among other reasons) establish continuity and cooperation among the District Taco Restaurants in the market and protect the District Taco® brand. Therefore, you and your Owners agree that if you, any of your Owners, or any Controlled Affiliate or its Owners seeks to enter into any transfer under this Development Agreement or any other Related DT Agreement, we may condition its approval of that transfer on (in addition to any other conditions set forth in the applicable Related DT Agreement) the simultaneous transfer to that transferee of other rights, interests, obligations, assets, and/or Ownership Interests such that, following such transfer, you (or your successor in interest) own and operate (directly or through your Controlled Affiliates) all of the Developer DT Restaurants.

15. Records, Reports and Financial Statements.

You also agree to give us in the manner and format that we periodically specify:

a. within fifteen (15) days after the end of each month, a monthly income statement and a balance sheet and statement of cash flow as of the end of the previous month; and

b. within fifteen (15) days after submission, exact copies of federal and state income and other tax returns and, with fifteen (15) days after our request, any other forms, records, reports and other information that we periodically require relating to you or your business under this Development Agreement, other than Employment Records (as defined in the First Franchise Agreement).

You agree to certify or validate each report and financial statement in the manner that we periodically specify. All such statements, reports, and tax returns shall be held in confidence by us and shall not be disclosed to any party, except in an anonymized or aggregated format, other than (a) to our personnel having the explicit need to know such information; (b) to our accountants and consultants; (c) to our legal counsel; (d) in connection with any judicial or administrative proceeding; or (e) when such information is subpoenaed or otherwise required to be disclosed by law or a court order.

16. Incorporation of Other Terms.

Sections 18 and 19 of the First Franchise Agreement, entitled “Relationship of the Parties/Indemnification” and “Enforcement,” respectively, including (without limitation) the provisions relating to arbitration of disputes and force majeure, are incorporated by reference in this Development Agreement and will govern all aspects of our and your relationship and the construction of this Development Agreement as if fully restated within the text of this Development Agreement. You agree to comply, and ensure your Owners comply, with the provisions of Sections 18 and 19 of the First Franchise Agreement applicable to Franchisee. This Development Agreement, together with the First Franchise Agreement, supersedes all prior agreements and understandings, whether oral and written, between the parties relating to its subject matter, and there are no oral or other written understandings, representations, or agreements between the parties relating to the subject matter of this Development Agreement. This Development Agreement may be signed by written or electronic signature and in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The provisions of this Development Agreement may be amended or modified only by written agreement signed by the party to be bound.. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that we made in the most recent disclosure document (including its exhibits and amendments) that we delivered to you or your representative.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Development Agreement effective on the Agreement Date stated on the first page above.

FRANCHISOR

DISTRICT FRANCHISING, LLC, a
Virginia limited liability company

By: _____

Name: _____

Title: _____

DEVELOPER

[Name]

By: _____

Name: _____

Title: _____

EXHIBIT A: District Taco Development Schedule

You or your Controlled Affiliates must sign Franchise Agreements for District Taco Restaurants on or before the dates listed in the “FA Signing Deadline” column below, and must develop, open and begin operating the Developer DT Restaurants pursuant to the First Franchise Agreement and those other Franchise Agreements on or before the dates listed in the “Cumulative Number of Developer DT Restaurants Open and Operating by the Restaurant Opening Deadline” column below.

FA Signing Deadline	DT Restaurant Opening Deadline	Cumulative Number of Developer DT Restaurants Open and Operating by the Restaurant Opening Deadline
Agreement Date (for First Franchise Agreement)		1

Note: If we agree in writing to an extension of the FA Signing Deadline and/or Restaurant Opening Deadline for a particular Developer DT Restaurant pursuant to Section 5, then the extended deadline(s) shall be substituted for the deadline(s) specified in this table.

FRANCHISOR

DISTRICT FRANCHISING, LLC, a
Virginia limited liability company

By: _____

Name: _____

Title: _____

DEVELOPER

[Name]

By: _____

Name: _____

Title: _____

EXHIBIT B: District Taco Development Area

The Development Area is defined as the entire territory encompassed by the area within the latitude and longitude coordinates as follows: _____

_____, as further depicted on the Development Area Map below.

FRANCHISOR

DISTRICT FRANCHISING, LLC, a
Virginia limited liability company

By: _____

Name: _____

Title: _____

DEVELOPER

[Name]

By: _____

Name: _____

Title: _____

EXHIBIT C: Developer's Owners and Managing Owner

**Effective Date: This Exhibit C is current and complete
as of _____, 20__**

1. **Form of Developer.** You were incorporated or formed on _____, 20__, under the laws of the State/Commonwealth of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and _____. The following is a list of your directors or managers (if applicable) and officers as of the effective date shown above:

<u>Name</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Owners.** The following list includes the full name of each person who is one of your direct or indirect Owners and fully describes the nature of each Owner's interest (attach additional pages if necessary).

	<u>Owner's Name</u>	<u>Description of Interest</u>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Operating Principal.** The Operating Principal is _____.

[Signature Page Follows]

FRANCHISOR

DISTRICT FRANCHISING, LLC, a
Virginia limited liability company

By: _____

Name: _____

Title: _____

DEVELOPER

[Name]

By: _____

Name: _____

Title: _____

EXHIBIT D
TO THE FRANCHISE DISCLOSURE DOCUMENT
DT MANUAL TABLE OF CONTENTS

1. Restaurant Operations.....	1
2. Kitchen Operations.....	88
3. Health, Food Safety & HACCP.....	152
4. Facilities – Care & Maintenance.....	183
5. Catering.....	196
6. Point of Sale & Cash Management.....	217
7. Manager Responsibilities.....	267
8. Purchasing, Financials and Reporting.....	296
9. Branding & Marketing.....	365
10. Information Technology.....	366
11. Team Policies (Suggested).....	381

Total Number of Pages: 421

EXHIBIT E

TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES AS OF DECEMBER 31, 2023

Virginia	
DT Nova, LLC 1334 Chain Bridge Rd McLean, VA 22101 703-328-0007	DT Nova, LLC 8432 Old Keene Mill Rd Springfield, VA 22152 571-461-5060

SIGNED BUT NOT YET OPEN AS OF DECEMBER 31, 2023

Florida	
H&I FL Tacos LLC 14873 Links Pond Circle Gainesville, Virginia 20155 703-328-0007 TBD, Florida	
New Jersey	
ZG Tacos, LLC 1295 Hamburg Tpke Wayne, New Jersey 07470 862-329-6436	
New York	
D3 Tacos LLC 10 Shelley Ave Staten Island, New York 10314 TBD, New York	
Virginia	
RJ Weeks Holding Company, LLC Brothers Food Smokehouse LLC (Franchise Holder) 2700 Hampton Blvd Norfolk, Virginia 23517 757-834-8876	

EXHIBIT F

TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

None.

EXHIBIT G

TO THE FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

District Franchising LLC

Financial Statements as of and for the years ended December 31, 2023, 2022 and 2021, and Independent Auditor's Report

DISTRICT FRANCHISING LLC

TABLE OF CONTENTS

	Pages
Independent Auditor's Report	1-2
Financial Statements as of December 31, 2023, 2022 and 2021 and for the Years Ended December 31, 2023, 2022 and 2021, and Independent Auditor's Report:	
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Member's Equity (Deficit)	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10



Deloitte & Touche LLP
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McLean, VA 22102
USA
Tel: 703-251-1000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Members of District Franchising, LLC
Falls Church, VA

Opinion

We have audited the financial statements of District Franchising LLC (the "Company"), which comprise the balance sheets as of December 31, 2023, 2022 and 2021, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

February 19, 2024

DISTRICT FRANCHISING LLC
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2023, 2022 AND 2021

	2023	2022	2021
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 2,293,586	\$ 1,639,838	\$ 128,514
Short term investments	1,016,444	-	-
Accounts receivable	52,824	575,000	-
Receivables from affiliates, net	1,076	18,825	24,258
Prepaid expenses and other current assets	33,294	2,144	-
Total current assets	<u>3,397,224</u>	<u>2,235,807</u>	<u>152,772</u>
Total assets	<u>\$ 3,397,224</u>	<u>\$ 2,235,807</u>	<u>\$ 152,772</u>
LIABILITIES & MEMBER'S EQUITY			
CURRENT LIABILITIES:			
Accounts payable	\$ 32,650	\$ -	\$ 28,191
Payables to affiliates, net	-	71,551	-
Deferred revenue - current	49,689	25,641	-
Accrued expenses and other	1,250	5,000	2,091
Total current liabilities	<u>83,589</u>	<u>102,191</u>	<u>30,282</u>
NONCURRENT LIABILITIES:			
Deferred revenue, net	<u>2,507,741</u>	<u>2,252,761</u>	<u>-</u>
Total noncurrent liabilities	<u>2,507,741</u>	<u>2,252,761</u>	<u>-</u>
Total liabilities	<u>2,591,330</u>	<u>2,354,952</u>	<u>30,282</u>
Commitments and contingencies (Note 4)			
Member's equity (deficit)	805,894	(119,145)	122,490
Total liabilities and members' equity	<u>\$ 3,397,224</u>	<u>\$ 2,235,807</u>	<u>\$ 152,772</u>

See notes to financial statements.

DISTRICT FRANCHISING LLC
STATEMENT OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	2023	2022	2021
REVENUE			
Development and franchise fees	\$ 20,972	\$ 1,598	\$ -
Royalty fees	58,256	-	-
Innovation fund fees	185,052	-	-
Total revenue	<u>264,280</u>	<u>1,598</u>	<u>-</u>
OPERATING EXPENSES			
Innovation fund expenses	262,396	-	-
Sales and marketing	68,438	34,041	-
General and administrative	121,144	209,192	119,927
Total operating expenses	<u>451,978</u>	<u>243,233</u>	<u>119,927</u>
Loss from operations	<u>(187,698)</u>	<u>(241,635)</u>	<u>(119,927)</u>
OTHER INCOME (EXPENSE)			
Interest income	35,906	-	-
Other expense, net	-	-	(105)
Total other income (expense)	<u>35,906</u>	<u>-</u>	<u>(105)</u>
Net loss	<u>\$ (151,792)</u>	<u>\$ (241,635)</u>	<u>\$ (120,032)</u>

See notes to financial statements.

DISTRICT FRANCHISING LLC
 STATEMENT OF CHANGES IN MEMBER’S EQUITY (DEFICIT) FOR THE YEARS ENDED DECEMBER 31,
 2023, 2022 AND 2021

	Members’ Equity (Deficit)
Balance – December 31, 2020	\$ 242,522
Net Loss	(120,032)
Balance – December 31, 2021	122,490
Net Loss	(241,635)
Balance – December 31, 2022	(119,145)
Net Loss	(151,792)
Member’s Contribution	1,076,831
Balance – December 31, 2023	\$ 805,894

See notes to financial statements.

DISTRICT FRANCHISING LLC
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	\$ (151,792)	\$ (241,635)	\$ (120,032)
Adjustments to reconcile net loss to net cash used in operating activities:			
Changes in operating assets and liabilities:			
Deferred revenue	279,028	2,278,402	-
Accounts receivable, net	522,176	(575,000)	-
Accounts payable	32,650	(28,191)	28,191
Receivables from affiliates, net	17,749	5,433	(24,258)
Payables to affiliates, net	(71,551)	71,551	-
Prepaid expenses and other	(31,149)	(2,144)	-
Accrued expenses and other	(3,750)	2,908	(5,387)
Net cash provided by (used in) operating activities	<u>593,361</u>	<u>1,511,324</u>	<u>(121,486)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Short term investments	(1,016,444)	-	-
Net cash provided by (used in) investing activities	<u>(1,016,444)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Member's Contribution	1,076,831	-	-
Net cash provided by (used in) financing activities	<u>1,076,831</u>	<u>-</u>	<u>-</u>
Net change in cash	653,748	1,511,324	(121,486)
Cash - Beginning of year	1,639,838	128,514	250,000
Cash – End of year	<u>\$ 2,293,586</u>	<u>\$ 1,639,838</u>	<u>\$ 128,514</u>

See notes to financial statements.

District Franchising, LLC

NOTES TO FINANCIAL STATEMENTS AS OF THE DECEMBER 31, 2023, 2022 AND 2021 AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

District Franchising LLC (the “Company”) was formed on August 4, 2020, in the Commonwealth of Virginia and is governed by its Operating Agreement. The Company was funded with capital contributions by its parent, District Brands, Inc., for purposes of filing its initial franchise disclosure document and selling District Taco franchises.

The Company is a limited liability company (LLC), which will continue in existence subject to the terms and conditions of its Operating Agreement. The obligations of the member are limited to its capital contributions.

As of December 31, 2023, the Company has sold 75 development rights. Two franchise locations have opened and therefore 73 development rights remain.

As of December 31, 2023, the Company has sold 6 franchise rights. 69 franchise rights remain available for franchisees to develop franchise units under various development agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & BASIS OF PREPARATION

Basis of Presentation—The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”). Due to the fact that certain corporate overhead expenses incurred on behalf of the Company by the Parent have not been allocated to the Company, these financial statements may not be indicative of an independent standalone company.

Use of estimates—The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheets. Actual results could differ from those estimates and the differences could be material.

Cash and Cash Equivalents — The Company considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are maintained with financial institutions and, at times, the amount on deposit may exceed the amount of insurance provided on such deposits. Management believes the exposure to loss from such balances to be immaterial.

Short Term Investments — The Company considers all investments with an original maturity between 3-12 months to be short term investments. The Company’s short-term investments balance as of year-end 2023 consists of a certificate of deposit with an original maturity date of six months. Short term investments amount to \$1,016,444, \$0 and \$0 as of December 31, 2023, 2022 and 2021, respectively. Management believes the exposure to loss from such balances to be immaterial.

Accounts Receivable – Accounts receivable consist principally of amounts due from development fees and franchise fees. Receivables are recorded when development and franchise agreements are executed, unless otherwise stated in the agreement. No reserve for uncollectible accounts is recorded.

Receivables from Affiliates, Net – Receivables from affiliates are presented net and amount to \$1,076, \$18,825 and \$24,258 as of December 31, 2023, 2022 and 2021, respectively. The gross receivables from affiliates of \$1,076, \$25,258 and \$25,258 as of December 31, 2023, 2022 and 2021, respectively, are partially offset by payables to affiliates of \$0, \$6,433 and \$1,000 as of December 31, 2023, 2022 and 2021, respectively. The receivables are offset by payables at the legal entity level, pursuant to Accounting Standards Codification, (“ASC”) 210-20 *Balance Sheet–Offsetting*. The receivables from affiliates mainly consist of expenses paid by the Company on behalf of its affiliates.

Payables to Affiliates, Net – Payable to affiliates are presented net and amount to \$0, \$71,551 and \$0 as of December 31, 2023, 2022 and 2021, respectively. The gross payable to affiliates of \$0, \$72,750 and \$0 as of December 31, 2023, 2022 and 2021, respectively, are partially offset by receivables from affiliates of \$0, \$1,199 and \$0, respectively, pursuant to ASC 210-20 *Balance Sheet–Offsetting*. The payables to affiliates primarily consist of expenses paid by affiliates on behalf of the Company.

Revenue Recognition—The Company recognizes revenues as follows:

Royalty revenue is collected weekly from franchisees using a percent of sales method. It is considered earned upon collection each week.

Innovation fund revenue is collected weekly from franchisees and the Company’s affiliate owned and operated restaurants using a percent of sales method. Contributions to the Innovation Fund are used to strengthen the overall District Taco brand and are not tied to distinct goods or services. Therefore, the contributions are reported gross as part of revenue and considered earned upon collection each week. Innovation fund revenue also includes rebates earned from vendors.

Development fees are charged for the sale of a territory in which a developer has agreed to develop and operate a certain number of franchise restaurants. The related territory is unavailable to any other party and is no longer marketed by the Company. Development fees are recorded as deferred revenue when received, allocated to each agreed upon restaurant and are recognized over the contractual term of each respective franchise agreement, upon each store’s opening. Development fees are considered highly interrelated with the franchise right and are accordingly recognized over the term of the related franchise agreement.

Franchise fees are upfront fees charged to franchisees to open franchise restaurants. Franchise fees are recorded as deferred revenue when received and are recognized over the contractual term of each respective franchise agreement, upon the store’s opening. Franchise fees are considered highly interrelated with the franchise right and are accordingly recognized over the term of the related franchise agreement.

Right of First Offer fees are charged for the sale of a right in which a developer is guaranteed the first option to enter into a development agreement in a specific area. Right of First Offer fees are recorded as deferred revenue when received. Since developers are not required to open any stores under a Right of First Offer agreement, associated fees are recognized over the contractual term of each respective agreement, beginning with the contract period’s commencement date. As of December 31, 2023, 2022

and 2021, the Company had deferred revenue for Right of First Offer agreements in the amount of \$13,443, \$28,402 and \$0, respectively.

As of December 31, 2023, 2022 and 2021, the Company has deferred revenue for development fees in the amount of \$2,345,991, \$2,100,000 and \$0, respectively.

As of December 31, 2023, 2022 and 2021, the Company had deferred revenue for franchise fees in the amount of \$197,996, \$150,000 and \$0, respectively. See Note 3 for a description of the nature of goods and services underlying revenues, the disaggregation of revenue and information related to revenue contract balances.

Income Taxes — The Company is a limited liability company and consequently is not subjected to United States Federal and state income taxes. As a pass-through entity for tax purposes, the federal and state taxes are the responsibility of the Member, the Company's ultimate parent. Therefore, no US income taxes or deferred taxes have been recorded.

Fair Value of Financial Instruments — Due to the short-term nature and/or variable rates associated with these financial instruments, the carrying value of the Company's cash and cash equivalents, including money market securities, accounts receivable and accounts payable approximates fair market value. The carrying amount of our existing debt approximates its fair value.

As of December 31, 2023, the Company held one Level 2 financial instrument, a certificate of deposit, valued at \$1,016,444.

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis when events or circumstances indicate that the carrying amount of an asset may not be recoverable. These adjustments to fair value usually result from the application of lower of cost or fair value accounting or write downs of individual assets.

Recently Adopted Accounting Standards

In January 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2021-02, which allows a franchisor that is not a public business entity ("private-company franchisor") to use a practical expedient when identifying performance obligations in its contracts with customers (i.e., franchisees) under ASC 606. When using the practical expedient, a private-company franchisor that has entered into a franchise agreement would treat certain preopening services provided to its franchisee as distinct from the franchise license. The Company adopted the new guidance effective January 1, 2021 and it did not have a material impact on the Company's financial statements and related disclosures.

3. REVENUE

Nature of Goods and Services – The Company generates revenues from franchised restaurants based upon the fulfillment of terms outlined in the franchise agreement.

The franchise agreement provides the franchisee the right to construct, own and operate a District Taco restaurant upon a site accepted by District Taco and to use the District Taco system in connection with the operation of the restaurant at that site. The franchise agreement generally provides for a 10-year term and a 10-year renewal subject to certain conditions and mutual agreement by both parties. The franchise agreement requires that the franchisee pay a royalty based on a percentage of sales at the franchised restaurant, as well as make contributions to the Innovation Fund based on a percentage of

sales. Revenue recognized from franchise agreements was \$2,004, \$0 and \$0 during the years ending December 31, 2023, 2022 and 2021, respectively.

The Company also generates revenues from entering into development agreements and Right of First Offer agreements with franchisees. A development agreement provides the franchisee with the right to develop a specified number of new District Taco restaurants within a stated territory for a specified period. A Right of First Offer agreement guarantees a developer the first option to enter into a development agreement in a specific area for a specified period. Revenue recognized from development agreements was \$4,009, \$0 and \$0 during the years ending December 31, 2023, 2022 and 2021, respectively. Revenue recognized from right of first offer agreements amounts to \$14,959, \$1,598 and \$0 during the years ending December 31, 2023, 2022 and 2021, respectively.

The following reflects our current estimated development fees, franchise fees and Right of First Offer fees to be recognized in the future related to performance obligations that are unsatisfied:

<i>Deferred Revenue expected to be recognized</i>		
12 months or less	\$	49,689
13-24 months		52,284
Thereafter		2,455,456
Total	\$	2,557,429

4. CONTINGENT LIABILITIES AND COMMITMENTS

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. As of December 31, 2023, 2022 and 2021, the Company does not have any outstanding legal proceedings, claims, or lease obligations.

5. RELATED PARTIES

The Company has an agreement with one of its director's companies to provide software development and marketing services. For the years ended December 31, 2023, 2022 and 2021, the related expense included in innovation fund expenses was \$50,000, \$0, and \$0.

6. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 19, 2024 which is the date the financial statements are available to be issued. No subsequent events have occurred as of February 19, 2024.

* * * * *

EXHIBIT H

TO THE FRANCHISE DISCLOSURE DOCUMENT

RELEASE ON RENEWAL/TRANSFER

DISTRICT FRANCHISING, LLC

RENEWAL/ASSIGNMENT OF FRANCHISE DOCUMENTS RELEASE

District Franchising, LLC (“we,” “us,” or “our”) and the undersigned franchisee, _____ (“you” or “your”), currently are parties to a certain Franchise Agreement (the “**Franchise Agreement**”) dated _____. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation] _____

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the “**Releasing Parties**”), hereby forever release and discharge us and our current and former officers, directors, owners, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “**District Taco Parties**”) from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “**Claims**”) that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the District Taco Parties (1) arising out of or related to the District Taco Parties’ obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the District Taco Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the District Taco Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

You and your owners, for yourselves and each of the Releasing Parties, hereby waive and relinquish every right or benefit which he, she, or it has under any state or federal law limiting the effectiveness of releases, to the fullest extent that he, she, or it may lawfully waive such right or benefit. In connection with this waiver and relinquishment, with respect to the Claims, you and your owners, for yourselves and each of the Releasing Parties, acknowledges that he, she, or it may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of this release, but that it is the parties’ intention, fully, finally and forever to settle and release all such Claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the releases given hereunder shall be and remain in effect as full and complete releases, notwithstanding the discovery or existence of any such additional or different facts.

[Signature Page Follows]

FRANCHISOR:

DISTRICT TACO FRANCHISING, LLC,
a Virginia limited liability company

By: _____

Name: _____

Title: _____

FRANCHISEE:

[Name]

By: _____

Name: _____

Title: _____

FRANCHISEE OWNER(S):

[Printed Name]

[Signature]

[Printed Name]

[Signature]

[Printed Name]

[Signature]

[Printed Name]

[Signature]

EXHIBIT I

TO THE FRANCHISE DISCLOSURE DOCUMENT

ADDITIONAL DISCLOSURES AND RIDERS REQUIRED BY STATE FRANCHISE LAWS

MARYLAND

1. The following language is added to the end of Item 5:

The Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments you owe us shall be deferred until we complete our pre-opening obligations under the Franchise Agreement and the DT Restaurant is opened. In addition, all development fees and initial payments by developers shall be deferred until the First Developer DR Restaurant under the Development Agreement opens.

2. The following language is added to the end of the “Summary” sections of Item 17(c), entitled Requirements for franchisee to renew or extend, and Item 17(m), entitled Conditions for franchisor approval of transfer:

Any release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The following language is added to the end of the “Summary” section of Item 17(h), entitled “Cause” defined – non-curable defaults:

Termination upon insolvency might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

4. The following sentence is added to the end of the “Summary” section of Item 17(v), entitled Choice of forum:

Subject to your arbitration obligation, you may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The “Summary” section of Item 17(w), entitled Choice of law, is amended to read as follows:

Except for federal law, and except as otherwise required by the Maryland Franchise Registration and Disclosure Law, Virginia law governs.

6. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**RIDER TO THE DISTRICT FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made by and between **DISTRICT FRANCHISING, LLC**, a Virginia limited liability company whose principal business address is 2890 Emma Lee St., Falls Church, Virginia 22042 (“we,” “us,” or “our”), and _____, a(n) _____ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland, or (b) the District Taco Restaurant you will operate under the Franchise Agreement will be located in Maryland.

2. **INITIAL FRANCHISE FEE.** The following language is added to the end of Section 6.A of the Franchise Agreement:

The Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments you owe us shall be deferred until we complete our pre-opening obligations under this Agreement and the DT Restaurant is opened.

3. **RELEASES.** The following is added to the end of Sections 14.D(3), 14.E, 15.B(3), and 17.F of the Franchise Agreement:

However, such general release will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. **INSOLVENCY.** The following sentence is added to the end of Sections 13.B(4) and 16.A(20) of the Franchise Agreement:

This Section may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 *et seq.*), but we will enforce it to the extent enforceable.

4. **ARBITRATION.** The following is added to the end of Section 19.F of the Franchise Agreement:

This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Registration and Disclosure Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable. Therefore, we and you agree that the arbitration provision will be enforced to the extent allowed by the Federal Arbitration Act.

5. **GOVERNING LAW.** The following sentence is added to the end of Section 19.G of the Franchise Agreement:

However, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **CONSENT TO JURISDICTION.** The following sentence is added to the end of Section 19.H of the Franchise Agreement:

You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 19.K of the Franchise Agreement:

However, you must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within three (3) years after we grant you the franchise.

8. **ACKNOWLEDGMENTS.** The following is added as a new Section 19.N of the Franchise Agreement:

19.N. **Acknowledgements.** All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective on the Effective Date of the Franchise Agreement.

FRANCHISEE:

FRANCHISOR:
DISTRICT FRANCHISING, LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**RIDER TO THE DISTRICT FRANCHISING, LLC
DEVELOPMENT AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made by and between **DISTRICT FRANCHISING, LLC**, a Virginia limited liability company whose principal business address is 2890 Emma Lee St., Suite 200, Falls Church, Virginia 22042 (“**we**,” “**us**,” or “**our**”), and _____, a(n) _____ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Development Agreement dated _____, 20__ (the “**Development Agreement**”). This Rider is annexed to and forms part of the Development Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland, or (b) the District Taco Restaurant(s) you will operate under a separate Franchise Agreement with us will be located in Maryland.

2. **DEVELOPMENT FEE.** The following language is added to the end of Section 4 of the Development Agreement:

The Maryland Securities Commissioner has required a financial assurance. Therefore all development fees and initial payments you owe us shall be deferred until the First Developer DT Restaurant under this Agreement opens.

3. **ACKNOWLEDGMENTS.** The following is added as a new Section 18 of the Development Agreement:

18. **Acknowledgements.** All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller,

or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective on the Effective Date of the Franchise Agreement.

FRANCHISEE:

FRANCHISOR:
DISTRICT FRANCHISING, LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF
NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK, 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend”**, and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum, to be effective on the Effective Date of the Franchise Agreement.

FRANCHISEE:

FRANCHISOR:
DISTRICT FRANCHISING, LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

“A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of _____.

FRANCHISEE:

By: _____

Name: _____

Title: _____

FRANCHISOR:

DISTRICT FRANCHISING, LLC

By: _____

Name: _____

Title: _____

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND DEVELOPMENT AGREEMENT REQUIRED BY THE COMMONWEALTH OF VIRGINIA

The following language is added to the beginning of Item 5 in the Franchise Disclosure Document and Section 6 in the Franchise Agreement:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

The following language is added to the beginning of Item 5 in the Franchise Disclosure Document and Section 4 of the Development Agreement:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer the payment of the development fee owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the development agreement.

The following language is added to the end of the “Summary” section of Item 17(e), entitled Termination by franchisor without cause:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The parties have executed and delivered this Rider, to be effective on the Effective Date of the Franchise Agreement.

FRANCHISEE:

FRANCHISOR:
DISTRICT FRANCHISING, LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Maryland	<i>PENDING</i>
Michigan	August 29, 2023
New York	May 8, 2024
Rhode Island	July 24, 2023 as amended April 25, 2024
Virginia	<i>PENDING</i>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Item 23

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If District Taco offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If District Taco does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is District Franchising, LLC, located at 2890 Emma Lee St., Suite 200, Falls Church, Virginia 22042. Its telephone number is (703) 560-0369.

Issuance date: April 22, 2024

The name, principal business address, and telephone number of each franchise seller offering the franchise are as follows: Chris Medhurst, Abelardo ‘Osiris’ Hoil, and Marc Wallace whose contact information is 2890 Emma Lee St., Suite 200, Falls Church, Virginia 22042, (703) 560-0369.

We authorize the respective state agents identified in Exhibit A to receive service of process for us in the particular states.

I received a Franchise Disclosure Document from District Franchising, LLC, dated _____ that included the following Exhibits:

- A List of State Agencies/Agents for Service of Process
- B Franchise Agreement
- C Development Agreement
- D DT Manual Table of Contents
- E List of Franchisees
- F List of Franchisees Who Have Left the System
- G Financial Statements
- H Release on Renewal/Transfer
- I Additional Disclosures and Riders Required by State Franchise Laws

Date

Prospective Franchisee [Print Name]

(Date, Sign, and Return to Us)

Prospective Franchisee [Signature]

Item 23

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If District Taco offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If District Taco does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is District Franchising, LLC, located at 2890 Emma Lee St., Suite 200, Falls Church, Virginia 22042. Its telephone number is (703) 560-0369.

Issuance date: April 22, 2024

The name, principal business address, and telephone number of each franchise seller offering the franchise are as follows: Chris Medhurst, Abelardo ‘Osiris’ Hoil, and Marc Wallace whose contact information is 2890 Emma Lee St., Suite 200, Falls Church, Virginia 22042, (703) 560-0369.

We authorize the respective state agents identified in Exhibit A to receive service of process for us in the particular states.

I received a Franchise Disclosure Document from District Franchising, LLC, dated _____, that included the following Exhibits:

- A List of State Agencies/Agents for Service of Process
- B Franchise Agreement
- C Development Agreement
- D DT Manual Table of Contents
- E List of Franchisees
- F List of Franchisees Who Have Left the System
- G Financial Statements
- H Release on Renewal/Transfer
- I Additional Disclosures and Riders Required by State Franchise Laws

Date

Prospective Franchisee [Print Name]

(Date, Sign, and Keep for Your Own Records)

Prospective Franchisee [Signature]