

FRANCHISE DISCLOSURE DOCUMENT



®

Rusty Taco Franchising, LLC
a Delaware limited liability company
3191 Red Hill, Suite 200
Costa Mesa, California 92626
(949) 812-7817
franchise@rustytaco.com
www.rustytaco.com

The franchise is the right to develop a restaurant that offers freshly prepared food made with quality, fresh ingredients inspired by the flavors of Mexico and Texas, along with an assortment of alcoholic and non-alcoholic beverages under the Rusty Taco® trade name, trademark, and business system in an atmosphere designed to be a neighborhood gathering place.

The total investment necessary to develop a Rusty Taco restaurant ranges from \$531,900 to \$1,100,450. This includes \$25,000 that must be paid to the franchisor or its affiliate.

We also offer development rights under which you would agree to open multiple (typically 2 to 5) Rusty Taco restaurants. The total investment necessary to acquire the development rights is payment of a development fee equal to \$12,500 times the number of franchises you agree to acquire, less one (\$12,500 to \$50,000 for a typical development deal of 2 to 5 restaurants), all of which is paid to the franchisor, but when you sign the development agreement, you will also sign a franchise agreement for your first restaurant.

This franchise disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this franchise disclosure document and all accompanying agreements carefully. You must receive this franchise 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 franchise disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our Franchise Development Department at 3191 Red Hill, Suite 200 Costa Mesa, California 92626, (949) 812-7817.

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

Buying a franchise is a complex investment. The information in this franchise disclosure document can help you make up your mind. More information on franchising, such as, "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this franchise 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: May 5, 2023

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 Exhibit E.
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 A 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 Rusty Taco 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 Rusty Taco franchisee?	Item 20 or Exhibit E list 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 G.

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 the area development agreement require you to resolve disputes with us by arbitration or litigation in California. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It also may cost more to arbitrate or litigate with us in California than in your home state.

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.

MICHIGAN NOTICE

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 against you joining an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits us to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure 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 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means, for the fair market value at the time of expiration, of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This provision applies only if:
 - (i) The term of the franchise is less than five years; and
 - (ii) You are prohibited by the Franchise Agreement 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 if you do not receive at least 6 months advance notice of our intent not to renew the franchise.
- (e) A provision that permits us to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.
- (f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.
- (g) A provision which permits us to refuse to permit a transfer of ownership of the franchise, except for good cause. This provision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause includes, but is not limited to:
 - (i) The failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of ours.
 - (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 us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with the franchisor. This does not prohibit a provision that grants us 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 it prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in (c), above.

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you 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.

Any questions concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Franchise Unit, 525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor, Lansing, Michigan 48913; (517) 335-7567.

RUSTY TACO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this franchise disclosure document (the “Disclosure Document”), we refer to Rusty Taco Franchising, LLC, the franchisor, as either “Franchisor” or “us,” and we refer to the person or entity buying the franchise as either “franchisee” or “you.” If you are not a natural person, we require your owners to guarantee and assume your obligations, so when describing those obligations, “you” includes your owners who are also guarantors of your obligations.

The Franchisor and Agents for Service

We are a Delaware limited liability company formed on October 6, 2022. Our principal business address is 3191 Red Hill, Suite 200, Costa Mesa, CA 92626, and our phone number is (949) 812–7817. Our agents for service of process are listed in Exhibit G. We do business only under our corporate name and under the name “Rusty Taco®.” We began offering franchises for Rusty Taco-branded restaurants (“Rusty Taco Restaurants”) on May 5, 2023. Our only business is, and since our formation has been, offering and selling franchises for Rusty Taco restaurants and providing services to our franchisees. We have not operated the kind of business you will operate or any other kind of business, nor have we offered franchises in any other line of business.

Our Parent, Predecessor, and Affiliates

Our parent is Rusty Taco Parent LLC (“Rusty Taco Parent”). Rusty Taco Parent’s parent is GCP RT, LLC (“GCP RT”), and GCP RT’s parent is Gala Family, LP. Rusty Taco Parent, GCP RT, and Gala Family, LP share our principal address at 3191 Red Hill, Suite 200, Costa Mesa, CA 92626. Rusty Taco Parent owns the trademarks and other intellectual property used in the operation of Rusty Taco Restaurants and has granted us a license to use them and sublicense their use by our franchisees. None of Rusty Taco Parent, GCP RT or Gala Family, LP. has ever operated the kind of business you will operate or offered or sold franchises in this or any other line of business.

Our predecessor is Rusty Taco, Inc. (“Predecessor”), a Minnesota corporation formed August 11, 2014. Its last known principal address is Three Glenlake Pkwy NE, Atlanta, Georgia 30328. It sold franchises for Rusty Taco restaurants from May 2015 until December 2022 when its assets, including all of the then-existing franchise agreements for Rusty Taco Restaurants, were acquired by GCP RT and assigned to us. (Note that Rusty Taco Restaurants operated as “R Taco” from September 2015 through August 2018.) While Predecessor’s affiliates owned and operated Rusty Taco Restaurants, Predecessor never did, nor did it own any other business or grant franchises in any other line of business.

Our affiliate, RT Gift Card LLC, an Arizona limited liability company, shares our principal business address and has been established to manage the gift card program that is used in Rusty Taco Restaurants. RT Gift Card LLC has never owned or operated a Rusty Taco Restaurant or offered franchises in this or any other line of business.

We have two affiliates who offer franchises in other lines of business:

Dunn Bros Franchising, LLC, a Delaware limited liability company whose address is 2335 West Highway 36, Suite 201, Roseville, MN 55713, has offered franchises for Dunn Brothers-branded coffee shops since November 2022. As of the end of its most recent fiscal year (December 31, 2022), there are 53 Dunn Brothers franchises open (which includes franchises that were sold by our affiliate’s predecessor from April 2001 to June 2022).

MOOYAH Franchising LLC, a Delaware limited liability company whose address is 6865 Windcrest Drive, Suite 400, Plano, Texas 75024, has offered franchises since April 2017 for MOOYAH-branded restaurants

that sell primarily burgers, shakes and fries. As of the date of its most recent fiscal year (January 2, 2022), there are 77 MOOYAH franchises open (which includes franchises that were sold by our affiliate's predecessor from June 2006 to April 2017) and 20 additional franchises sold but not yet open.

Except as described above, we have no parents, predecessors, or affiliates required to be disclosed in this Item 1.

The Franchise Opportunity

We offer franchises for the right to develop, own and operate Rusty Taco Restaurants at specific locations that we approve. Each Rusty Taco Restaurant is identified by the Rusty Taco® trademark and other trademarks, service marks and commercial symbols and trade names that we may authorize you to use (collectively, the "Marks") and offers freshly prepared food made with quality, fresh ingredients inspired by the flavors of Mexico and Texas, along with an assortment of alcoholic and non-alcoholic beverages, in an atmosphere designed to be a neighborhood gathering place. Each Rusty Taco Restaurant is subject to and governed by a franchise agreement that is applicable only to that particular restaurant. The form of Franchise Agreement you would sign is attached as Exhibit C to this Disclosure Document.

We also offer the opportunity to enter into a Development Agreement under which you would agree to enter into a specific number of franchise agreements and open Rusty Taco Restaurants in accordance with each franchise agreement at locations we approve within an agreed upon development area and in satisfaction of an agreed upon opening schedule. We will only enter into a Development Agreement if you commit to opening at least 2 Rusty Taco Restaurants, but the number of Rusty Taco Restaurants you will be required to open will be subject to your and our agreement before you sign the Development Agreement, based on the size and composition of the agreed upon development area. The form of Development Agreement you would sign is attached as Exhibit B to this Disclosure Document. When you sign the Development Agreement, you or your affiliate will also sign the 1st Franchise Agreement on our current form (Exhibit C to this Disclosure Document). For each subsequent franchise you are required to purchase, you will sign the form of franchise agreement we are using to grant franchises when we approve the proposed location for your Restaurant. The forms of franchise agreement you sign after the 1st one could be materially different than the form attached to this Disclosure Document including with respect to the fees you will pay under each franchise agreement, except that your initial franchise fee under each form of franchise agreement will be \$25,000.

Market and Competition

The products and services sold by Rusty Taco Restaurants are sold to the general public. The restaurant business, and in particular the market for tacos and other Mexican food and Tex-Mex restaurants, is highly competitive and well developed. Your Restaurant will compete for customers, employees and real estate with other restaurants offering the same or similar products and services and with other restaurants offering different products but in a similar kind of neighborhood gathering-place environment, including those owned by us, our affiliates, and our or their franchisees.

Industry Specific Regulations

You will be required to comply with certain federal, state and local laws and regulations that are specific to the restaurant industry, including those pertaining to food safety, calorie and nutritional information labeling, liquor licensing laws, Dram Shop laws and laws and regulations pertaining to air quality standards impacted by omissions from commercial food preparation. You should investigate the application of these laws and regulations further.

ITEM 2
BUSINESS EXPERIENCE

Anand Gala – Chairman and Chief Executive Officer

Anand Gala has been our Chairman and Chief Executive Officer since December 2022. He also serves in the following roles: (i) President and Chief Executive Officer of Gala Holdings International, Inc. since April 2010; (ii) Managing Partner at Gala Capital Partners, LLC since May 2015; (iii) Managing Partner at Gala Development Partners, LLC since March 2007; (iv) Chairman of MOOYAH Franchising, LLC since April 2017; (v) member of the Board of Directors at On Smile LLC since March 2021; and (vi) Chairman and Chief Executive Officer of Dunn Bros Franchising, LLC since June 2022. He formerly served as the Chief Executive Officer of On Smile LLC from March 2021 to October 2022, and a member of the Board of Directors at Famous Dave’s America, Inc. from July 2015 to July 2021. Mr. Gala works primarily from Costa Mesa, California.

Brendan Mauri - President

Mr. Mauri has been our President since December 2022. He was employed by our Predecessor from November 2019 to December 2022, serving as its President from February 2020 to December 2022 and its Senior Director of Marketing from November 2019 to February 2020. He was Senior Director of Marketing for Main Event Entertainment, Inc. in Plano, Texas from September 2017 to November 2019. Mr. Mauri is based in Atlanta, Georgia.

Denise Fenton - Brand Director

Ms. Fenton has been our Brand Director since December 2022. She is a founding partner of the Rusty Taco brand and has worked with the brand since April of 2010, including as our Predecessor’s Brand Director from July 2013 to December 2022. Ms. Fenton is based in Dallas, Texas.

Shane Brewer - Senior Director of Operations

Mr. Brewer has been our Senior Director of Operations since December 2022. From February 2011 to December 2022, he was employed by our Predecessor and its predecessor in various roles, including Restaurant General Manager (February 2011 to June 2013), Director of Operations (June 2013 to September 2015), National Training Manager (September 2015 to January 2019), and Director of Operations (January 2019 to December 2022). Mr. Brewer is based in Dallas, Texas.

Andrew Hyde - Director of Marketing

Mr. Hyde has been our Director of Marketing since December 2022. He served in the same position with our Predecessor from April 2021 to December 2022 and was Predecessor’s Marketing Manager from February 2020 to April 2021. He was previously the Associate Brand Manager for Darden Restaurants in Orlando, Florida from February 2016 to February 2020. He is based in Atlanta, Georgia.

Corey Will – Senior Director - Franchise Growth and Development

Mr. Will has been our Senior Director - Franchise Growth and Development since December 2022. He served as the Franchise Business Consultant/Coach of our Predecessor from February 2020 to December 2022. Mr. Will was not employed from September 2019 to January 2020. He served as the Director of Marketing and Special Projects for Main Event Entertainment in Plano, Texas from June 2017 to August 2019. Mr. Will is based in Dallas, Texas.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5
INITIAL FEES**

Initial Franchise Fee

When you sign the Franchise Agreement, you will pay us an initial franchise fee of \$25,000. This fee is payable in a lump sum, is not refundable, and is uniformly imposed on all franchisees.

Development Fee

If and when you sign a Development Agreement you will pay us a development fee equal to \$12,500 (50% of the current initial franchise fee) for each Rusty Taco Restaurant, less the first one, you commit to opening in satisfaction of an agreed upon development schedule specified in the Development Agreement (the "Development Schedule"). The typical number of restaurants required to be open under a Development Agreement is an agreed upon number between 2 and 5. If your Development Agreement requires that you open 2 Rusty Taco Restaurants, your development fee will be 1 x \$12,500, or \$12,500; if your commitment is 3 Rusty Taco Restaurants, your development fee will be 2 x \$12,500, or \$25,000; if your commitment is 4 Rusty Taco Restaurants, your development fee will be 3 x \$12,500, or \$37,500; and if your commitment is 5 Rusty Taco Restaurants, your development fee will be 4 x \$12,500, or \$50,000. For each additional Rusty Taco Restaurant you are required to open under your Development Schedule, your development fee will increase by \$12,500. While the development fee is not a deposit, we will apply it, in \$12,500 increments, toward satisfaction of the initial franchise fee due under each Franchise Agreement (less the first one) you sign in satisfaction of your obligations under the Development Agreement. The development fee is payable in a lump sum, is not refundable, and is determined in the same manner for all franchisees who sign Development Agreements.

VetFran Program

Currently, we participate in the International Franchise Association's VetFran Program under which we provide qualified franchisees with a 50% discount on the standard initial franchise fee. This discount will be applied to both the initial franchise fee and development fee payable by qualified participants in the program. We reserve the right to discontinue our participation in the VetFran Program.

**ITEM 6
OTHER FEES**

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Royalty Fee	5% of Gross Sales	Weekly (currently on Wednesday)	Day of week is subject to change. See Note 2 for the definition of Gross Sales, Royalty Fee on revenue derived from sales of alcoholic beverages, and description of our current incentive program.

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Brand Development Fund Contribution	Currently 1% of Gross Sales; may change subject to the Marketing Spending Requirement	Weekly (currently on Wednesday)	The amounts we can require you to contribute to the Brand Development Fund, spend on local marketing, and contribute to a marketing co-op cannot exceed 6% of Gross Sales, in the aggregate (the "Marketing Spending Requirement"). See Note 3.
Local Advertising Co-Op	Varies, as specified by Co-Op; may change subject to the Marketing Spending Requirement	As specified by the Co-Op	We may require you to pay this amount to us under certain circumstances. See Note 4.
Interest	Lesser of 18% per year or highest commercial contract rate law allows	As incurred	We may charge interest on all overdue amounts.
Non-Sufficient Funds Fee	\$50 for each returned check or draft plus reimbursement of our costs incurred to collect	As incurred	Payable if any check or draft, electronic or otherwise, is returned for insufficient funds.
New, Additional, or Remedial Training	Then-current training fee (currently, \$400 per trainer per day) plus reimbursement of our expenses	Before attending the training program	If you ask, or if we require, we will (subject to availability) provide new, additional, or remedial training either at your Restaurant or at such location that we determine.
Private or Public Offering Fee	Our costs and expenses	As incurred	If you are not a natural person and you intend to issue equity interests pursuant to a public or private offering, you must first obtain our written consent, which consent will not be unreasonably withheld. We limit our review to the manner in which the offering materials treat our relationship with you.
Transfer Fee	\$5,000, plus reimbursement of reasonable attorneys' fees and our expenses to inspect your Restaurant, which generally range from \$1,000 to \$2,000	As incurred	No transfer fee is payable for transfer by devise or inheritance.
Renewal Fee	50% of our then-current initial franchise fee	On execution of successor Franchise Agreement	Payable if we approve you to acquire a successor franchise for your Restaurant.
Indemnification (Franchise Agreement and Development Agreement)	Our actual costs	As incurred	You must defend and indemnify us against certain claims relating to the development and operation of your Restaurant.
Audit Fee	Cost of audit	As invoiced	Payable if an audit shows you have understated Gross Sales by 2% or more.

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Technology Fees	Our then-current fee (not currently charged)	As incurred	Technology fees are charged for technology and related products and services we provide. We may impose these fees based on our cost to provide the technology and related products and services.
Learning Management System Fee	Then-current annual fee per Rusty Taco Restaurant (not currently charged)	As agreed	You must participate in the Cornerstone Learning Management System to access certain training materials. We forward the payment to Cornerstone, our vendor for the system. This system provides the delivery of electronic content, knowledge checks and certification exams. We may begin charging this fee upon written notice to you.
Insurance Fee	Reimbursement of actual costs to maintain coverage	As incurred	If you fail to maintain the required insurance, we may (but need not) obtain it for you. If we do, you must reimburse us our costs.
Relocation Expenses	Up to \$5,000	As incurred	This includes reimbursement of our reasonable costs and expenses (including attorneys' fees) associated with the relocation
De-Identification Fee	Reimbursement of actual costs	As incurred	Upon termination or expiration of the Franchise Agreement if you fail to de-identify your Restaurant's premises then we may enter the Restaurant premises and take all actions necessary to de-identify the premises as a Rusty Taco Restaurant. You must pay these costs we incur in our de-identification efforts.
Unauthorized Temporary Closure	110% of the average daily Royalty Fee owed from the week immediately prior to closure	As invoiced	Charged if your Restaurant does not generate Gross Sales because you have temporarily closed your Restaurant without our consent, for each whole or partial day your Restaurant is closed. This amount is payable in the same manner as Royalty Fee. Payment will not act as a cure of the unauthorized closure default and will not impair any other rights we have under the Franchise Agreement.

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Non-Compliance Charge	Increase of one point to the rate of your Royalty Fee	As incurred	If you do not comply with your obligations under the Franchise Agreement, your Royalty Fee will be increased to 6% of Gross Sales until we have determined that you have cured your deficiencies. This increase to your Royalty Fee is intended to compensate us for additional expenses and certain losses that we will incur as a result of your non-compliance and is not a penalty or an expression of the total amount of such damages. Payment of this increase in Royalty Fee does not cure the non-compliance that triggered its payment.
Management Services Fee	Our then-current per diem rate (currently \$250), plus reimbursement of our travel-related expenses	As incurred	We have the right to charge a fee for our management services in the event we appoint a manager to manage the Restaurant on your behalf.
Approval of Suppliers	Costs and expenses incurred, which generally range from \$2,500 to \$10,000	As incurred	Before approving a supplier at your request, we may charge you the reasonable costs and expenses incurred in our evaluation and investigation. The supplier may pass these charges on to you.
Lost Revenue Damages	Varies	As incurred	Payable if we terminate the Franchise Agreement for your breach, or you terminate it without cause. See Note 5 for how calculated.
Costs and Attorneys' Fees	Actual costs	As incurred	Payable only if we are the prevailing party in any relevant litigation or arbitration.

Notes:

1. All amounts described above are collected by and payable to franchisor, are nonrefundable and, unless otherwise indicated, are imposed and collected uniformly (currently via electronic funds transfer).

2. Definition of "Gross Sales": "Gross Sales" means the total revenue attributable to and receipts from all services and products and all income of every other kind and nature related to your Restaurant, whether or not in compliance with the Franchise Agreement, including income related to catering operations and special events and the full value of meals provided to your bona fide employees as a benefit of their employment (except you may deduct from Gross Sales the value of any employee discounts that are given during the week in which the meals are provided), whether for cash or credit, barter or exchange, and regardless of collection in the case of credit. Gross Sales does not include (a) sales (or similar) taxes that you collect from your customers, if you transmit them to the appropriate taxing authority, promotions, voids, and discounts; (b) proceeds from isolated sales of trade fixtures that are not part of the products and services you offer and that do not have any material effect on the operation of your Restaurant; (c) tips or gratuities that Restaurant customers pay directly to your employees or to you which you then turn over to these employees in lieu of direct tips or gratuities; or (d) returns to shippers or manufacturers. Revenue from the purchase or redemption of gift certificates, gift cards, loyalty or similar programs is calculated as part of Gross Sales in accordance with our then-current guidelines for such programs. Gross Sales also includes all insurance proceeds you receive to replace revenue that you lose from the interruption of the operation of your Restaurant.

Alcohol Sales: If we are unable to collect the Royalty Fee or other amounts derived from the sale of alcohol products, then we reserve the right to modify your payment obligations under the Franchise Agreement and amend the applicable provisions hereunder in order to provide the same economic effect to both you and us contemplated by your Franchise Agreement as if such law had not taken effect (including, for example, by increasing the Royalty Fee and other payments owed on non-alcohol sales).

Royalty Fee Incentives: Currently, we offer a Growth Incentive Program. If you qualify for the program, your Royalty Fee will be temporarily reduced to 2.5% of Gross Sales:

- (a) through the 1st anniversary of the opening the Restaurant if your Restaurant opens for regular business on or before December 31, 2024; or
- (b) through December 31, 2025, if your Restaurant opens for regular business during calendar year 2015.

If you or your affiliates fail to comply with your or their obligations under the Franchise Agreement or any other agreement with us or our affiliates, you will lose the incentive, and your Royalty Fee will immediately revert to 5% for the remainder of the term of the Franchise Agreement. We reserve the right to change or discontinue the incentive program at any time, but that will not affect franchise agreements that have been signed prior to the change or discontinuance.

3. 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.

4. We may periodically review your books and records and require you to submit reports to determine your Local Advertising Co-Op contributions and Local Advertising expenses. If you fail to spend (or prove that you spent) the Marketing Spending Requirement in any quarter, then we may, along with our other rights, require you to pay us the shortfall as an additional Fund contribution or to pay us the shortfall for us to spend on Local Advertising for your Restaurant. Each Restaurant participating in a Local Advertising Co-Op, including those owned by us or our affiliates, will have one vote on all Co-Op decisions requiring a vote of participants. In Local Co-Ops where our or our affiliates' Rusty Taco Restaurants control the vote, the required contributions may range upwards of 0% but subject to the 6% Marketing Spending Requirement.

5. Equal to the net present value of : (1) the lesser of 36 or the number of calendar months remaining on the franchise term absent the termination, multiplied by (2) the sum of the Royalty Fee and Fund contribution percentages in effect as of the termination date, multiplied by (3) the average monthly Gross Sales of your Restaurant during the 24 full calendar months immediately preceding the termination date, minus (4) any cost savings we experienced as a result of the termination. If, as of the termination date, your Restaurant had not opened for business or had operated for fewer than 12 full calendar months, the average monthly Gross Sales will equal the 24-month average Gross Sales of all Rusty Taco Restaurants that had operated for the full 24 calendar months immediately preceding termination of this Agreement. If, as of the termination date, your Restaurant operated for at least 12 but fewer than 24 full calendar months, monthly average Gross Sales will equal the highest monthly Gross Sales achieved by your Restaurant during the period in which it operated. If the termination was based on your unapproved closure of your Restaurant, average monthly Gross Sales, as described above, would be measured from closure date rather than the termination date.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT – FRANCHISE AGREEMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$25,000	Lump Sum	On signing the Franchise Agreement	Us
Rent and Security Deposit ¹	\$3,000 to \$10,000	As Arranged	As Arranged	Landlord
Utility Deposits	\$6,000 to \$10,000	Lump Sum	Prior to Opening	Utility Companies
Construction, Remodeling and Leasehold Improvements ²	\$253,000 to \$610,000	As Incurred	As Arranged	Landlord or Contractor
Permits and Licenses ³	\$3,000 to \$6,950	As Incurred	Prior to Opening	Government Agencies
Architect Fee	\$15,000 to \$25,000	As Incurred	Prior to Opening	Designated Architect
Restaurant Design Consulting Services	\$500 to \$1,500	As Arranged	As Arranged	Third-Party Suppliers
Furniture, Fixtures, Equipment, and Signage	\$163,000 to \$250,000	As Incurred	Prior to Opening	Third-Party Suppliers
Initial & Opening Training Costs ⁴	\$0 to \$12,000	As Arranged	As Invoiced	Employees and Third-Party Suppliers
Computer Hardware and Software	\$15,000 to \$30,000	As Arranged	As Arranged	Third-Party Suppliers
Initial Inventory/Supplies ⁵	\$7,400 to \$10,000	As Arranged	As Arranged	Third-Party Suppliers
Professional Services	\$5,000 to \$15,000	As Arranged	As Arranged	Accountants, Lawyers, Architects, etc.
Initial Advertising and Marketing Expenses ⁶	\$10,000 to \$15,000	As Arranged	As Arranged	Third-Party Suppliers
Insurance ⁷	\$6,000 to \$30,000	As Arranged	As Arranged	Insurance Broker
Additional Funds (3 months) ⁸	\$20,000 to \$50,000	As Arranged	As Arranged	Third Parties
TOTAL	\$531,900 to \$1,100,450			

Notes:

1. Rusty Taco Restaurants are typically located in commercially zoned shopping or entertainment areas in premises that are typically leased rather than purchased. This range reflects the estimate of the security deposit required by the landlord and the first month's rent. See note to "Additional Funds" below with respect to rent for additional months. This Item is based on a facility containing approximately 2,000 to 3,000 square feet in a suitable free-standing building or an endcap in an in-line strip center.
2. The low end of this estimate assumes renovation of a 2,000 square foot existing restaurant space in "ready to occupy" condition. The range is impacted by various factors including size of space, scope of tenant improvement work, condition, location of the space and price differences among various suppliers and contractors. This estimate does not reflect any tenant improvement allowance that you negotiate with the landlord.
3. You will be required by certain government agencies to secure permits and licenses, including a liquor license, before opening your Restaurant. This estimate includes a typical cost for securing a liquor license, but those costs can vary significantly depending on the state or municipality that issues them and 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.
4. We provide initial training to your Operating Principal and Restaurant Manager at no additional charge. This item reflects the out-of-pocket costs estimated to be incurred in sending trainees to our training program (including, for example, travel, lodging and meals). The low end of the range assumes the initially required trainees are owner/operators who do not draw a salary and reside near a training facility. If you send salaried employees to our initial training program, you may be required to pay wages and other benefits to those employees while they are training depending on your state's law.
5. This estimate includes the cost of food, beverages, condiments, packaging, and other supplies for approximately the first 2 to 10 days of operations. Local costs will greatly affect these costs or expenses.
6. Unless we agree otherwise, you must carry out a grand opening marketing campaign of at least \$10,000 that promotes the opening of your Restaurant and complies with our written specifications. Your grand opening marketing campaign will take place in the 45 days prior to, and 60 days following, the opening of your Restaurant. You must obtain our approval of all advertising items, methods, and media.
7. This amount represents an estimated down payment of your annual insurance premiums, equal to one month's payment. Your cost of insurance may vary depending on the insurer, the location of your Restaurant, your claims history, and other factors.
8. This range reflects other required expenses you will likely incur before your Restaurant begins operations and for the 3 months after opening, including an additional 2 months' rent.

The estimates shown for Additional Funds and for the expenses shown in this Item 7 generally are based on a Rusty Taco Restaurant that is typical in size and type of location and is based on our management's experience in the Rusty Taco Restaurant System and on information we have gathered from recent Rusty Taco Restaurant openings. All amounts payable to us or our affiliates are not refundable. Refundability of any other amounts will be subject to your agreement with the party to whom the amounts are owed. We and our affiliates do not provide financing for any part of this investment. The estimates shown in this chart do not include any finance charges, interest, or debt service obligations.

YOUR ESTIMATED INITIAL INVESTMENT – DEVELOPMENT AGREEMENT

TYPE OF EXPENDITURES	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee ¹	\$12,500 to \$50,000	Lump Sum	Upon Signing the Development Agreement	Us
TOTAL	\$12,500 to \$50,000			

Note:

1. The entire investment required to acquire development rights is payable to us and is not refundable. The actual amount of the Development Fee will depend on the number of Rusty Taco Restaurants you agree to develop under the Development Schedule because the Development Fee is equal to \$12,500 times the number of Rusty Taco Restaurants you agree to open, less one. The typical number of restaurants required to be open under a Development Agreement is an agreed upon number between 2 and 5. So, if your Development Agreement requires that you open 2 Rusty Taco Restaurants, your development fee will be 1 x \$12,500, or \$12,500; if your commitment is 3 Rusty Taco Restaurants, your development fee will be 2 x \$12,500, or \$25,000; if your commitment is 4 Rusty Taco Restaurants, your development fee will be 3 x \$12,500, or \$37,500; and if your commitment is 5 Rusty Taco Restaurants, your development fee will be 4 x \$12,500, or \$50,000. For each additional Rusty Taco Restaurant you are required to open under your Development Schedule, your development fee will increase by \$12,500. While the development fee is not a deposit, we apply it, in \$12,500 increments, toward satisfaction of the initial franchise fee due under each Franchise Agreement (less the first one) you sign in satisfaction of your obligations under the Development Agreement. We do not require that you make any other investment to acquire development rights; however, when you sign the Development Agreement, you will also sign a Franchise Agreement for the first Rusty Taco Restaurant to be developed in satisfaction of your development obligation under the Development Agreement. See the chart above for an estimate of your initial investment under the Franchise Agreement.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

System Standards

In order to maintain the quality and uniformity of the services and products offered and sold at Rusty Taco Restaurants, you must purchase or lease all products and services for your Restaurant according to our standards and specifications (the “System Standards”). You must follow all our then current System Standards governing the development and operation of your Restaurant, and you also must use in your Restaurant only those food and beverage items, condiments, construction and decorative materials, equipment, software, signage, fixtures, furnishings, supplies and other products and services (collectively, the “Operating Assets”) that we have approved. We will not issue to you or to any approved suppliers (except as we deem necessary for purposes of production) the specifications for proprietary Operating Assets, if any. We will otherwise communicate our System Standards and the list of approved Operating Assets to you in our operating and other technical manuals that we develop and modify, in writing, from time to time (collectively, the “Operations Manual”).

Required Products & Services; Approved or Designated Suppliers

If we require, you must purchase or lease all Operating Assets from those suppliers or distributors that we designate or approve, which may include or be limited to us or our affiliates. As of the issuance date of this Disclosure Document, we either approve or have designated third-party suppliers for the following products and services: (a) fixtures, furniture, equipment (including computer hardware and software), interior and exterior signage, graphics, decor, trade dress, and restaurant design consulting services; (b) food products, ingredients, and condiments; (c) beverages; (d) uniforms, shirts, memorabilia, and merchandise and items intended for retail sale (whether or not bearing our Marks); (e) advertising, point-of-purchase materials, and other printed promotional and marketing materials; (f) gift certificates and restaurant value cards; (g) stationery, business cards, contracts, and forms; (h) bags, packaging, and supplies bearing our Marks; and (i) third-party delivery services. We may in the future require you to purchase other goods and/or services from our designated or approved suppliers. We will communicate information concerning approved and designated suppliers and distributors via the Operations Manual.

As of the issuance date of this Disclosure Document, neither we nor any of our affiliates are designated or approved suppliers for any products or services. None of our officers own any ownership in any privately held suppliers or a material interest in any publicly held suppliers of Operating Assets.

If you want to use any Operating Assets for or at your Restaurant that we have not yet evaluated or from a supplier that we have not yet approved, you first must submit sufficient information, specifications, samples, and other information as we require for us to determine whether the Operating Asset complies with our System Standards, or the supplier meets our criteria. We generally review any request for an additional product or supplier within 30 days. We may charge the cost of evaluating a proposed new vendor/supplier and/or its product to you or the vendor/supplier. We may also impose limits on the number of suppliers, products and services that we are willing to review. We maintain a list of criteria for reviewing and approving products, services, and suppliers; however, we do not issue these criteria to you. We may, with or without cause, revoke our approval of any supplier or product at any time.

Insurance

You must obtain and maintain insurance policies from a company with a minimum A.M. Best Rating of A-VII that we accept and that is underwritten by insurers licensed and admitted to write coverage in the state in which your Restaurant is located. All policies: (a) must name us and other persons or entities that we designate from time to time as additional insureds on a primary, non-contributory basis; and (b) must provide severability of interests and/or separation of insureds coverage.

As of the issuance date of this Disclosure Document, you must maintain at least the following insurance coverage: (a) property insurance equal to the full replacement value of, and covering, your Restaurant, Restaurant improvements, and all fixtures, equipment, supplies, and other property used in the operation of your Restaurant; (b) business interruption insurance that covers 12 months of your loss of income and 12 months of Royalty Fees owed to us; (c) comprehensive general liability insurance, including but not limited to premises, products, and contractual liability, in an amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate on an annual, per location basis; (d) liquor liability in an amount of \$1,000,000 per occurrence and \$1,000,000 in the aggregate on an annual, per location basis; (e) automobile liability, including coverage of all owned, non-owned, rented, and hired vehicles in an amount of \$1,000,000 per occurrence, combined single limit coverage; (f) workers' compensation insurance within state, statutory requirements, covering all employees; (g) employment practices liability insurance in amounts of \$1,000,000 per accident, \$1,000,000 in the aggregate, and \$1,000,000 for disease; and (h) umbrella liability in an amount of \$4,000,000 per occurrence and \$4,000,000 in the aggregate on an annual basis. We may modify the minimum coverage requirements and require additional insurance as market or industry conditions warrant. We will provide you with written notice of these changes.

We must receive at least 30 days' prior written notice of material amendment, termination, expiration or cancellation of any insurance policy and you must submit to us a copy of the certificate or other evidence we require of the issuance, renewal or extension of each insurance policy before beginning operations for your Restaurant and each subsequent year. Premiums are payable to your insurers in amounts and at times as your insurers require.

Revenue Derived from Franchisee Purchases and Leases

During fiscal year 2022, neither we nor our affiliates received any revenue from the sale of products or services to Rusty Taco Restaurant franchisees. During fiscal year 2022, Predecessor and its affiliates received a fixed payment of \$50,000 from a third-party supplier. There are no other arrangements in place with suppliers for rebates or other considerations based on purchases by Rusty Taco Restaurant franchisees.

Estimated Proportion of Required Purchases and Leases to all Purchases and Leases

We estimate that approximately 90% to 95% of your initial investment and 90% to 95% of your ongoing expenditure to operate your Restaurant will be directed to purchase products and services that will be restricted by us in some manner.

Description of Purchasing Cooperatives; Purchasing Arrangements

We may negotiate purchase arrangements, including price terms, with some primary suppliers for the benefit of franchisees. If we negotiate a purchase agreement for the region where your Restaurant is located, you must participate in the purchasing program. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers. Currently, no purchasing or distribution cooperatives exist in the Rusty Taco franchise system.

**ITEM 9
FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the Franchise Agreement 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.

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Item(s) in Disclosure Document
a. Site selection and acquisition/lease	Sections 3.1 and 3.3	Section 1.4	Items 8 and 11
b. Pre-opening purchases/leases	Sections 3.4, 6.5, 6.6, 10.1, and 10.2	Not applicable	Items 5, 6, 7, 8, and 11
c. Site development and other pre-opening requirements	Section 3.4	Article 4	Items 1, 7, 8, and 11
d. Initial and ongoing training	Sections 5.1 and 5.4	Not applicable	Items 6, 7, and 11
e. Opening	Sections 3.5 and 5.2	Section 4.1	Items 7 and 11
f. Fees	Article 4 and Sections 9.3, 9.4, 9.5, 12.2, 12.3, and 12.4	Article 2	Items 5, 6, 7, 8, and 11

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Item(s) in Disclosure Document
g. Compliance with standards and policies/ Operations Manual	Article 8	Not applicable	Items 8, 11, 14, and 16
h. Trademarks and proprietary information	Article 7	Not applicable	Items 11, 13, and 14
i. Restrictions on products/services offered	Sections 6.4, 6.5, 6.6, and 6.7	Not applicable	Items 8 and 16
j. Warranty and customer service requirements	Not applicable	Not applicable	Item 16
k. Territorial development and sales quotas	Section 1.2	Not applicable	Item 12
l. Ongoing product/service purchases	Sections 6.5, 6.6, and 8.2	Not applicable	Items 8, 11, and 16
m. Maintenance, appearance and remodeling requirements	Sections 6.7 and 8.2	Not applicable	Item 8
n. Insurance	Section 11.2	Not applicable	Items 7 and 8
o. Advertising	Article 9	Not applicable	Items 6, 8, and 11
p. Indemnification	Section 11.3	Section 5.2	Item 6
q. Owner's participation/ management/staffing	Sections 6.2 and 6.3	Not applicable	Items 11 and 15
r. Records and reports	Sections 3.5, 10.4, 10.5, and 10.6	Not applicable	Item 11
s. Inspections and audits	Sections 6.9 and 10.7	Not applicable	Items 6 and 11
t. Transfer	Article 12	Article 6	Items 6 and 17
u. Renewal or extension of rights	Sections 2.1 and 2.2	Not applicable	Items 6 and 17
v. Post-termination obligations	Section 15.2	Section 7.7	Item 17
w. Noncompetition covenants	Sections 15.1 and 15.2	Section 4.4	Item 17
x. Dispute resolution	Article 19	Article 11	Item 17
y. Guaranty	Attachment C	Not applicable	Item 15

ITEM 10 FINANCING

We, our affiliates, and our agents do not offer direct or indirect financing. We do not guarantee your notes, leases, 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.

Under the Franchise Agreement, before you open your Restaurant, we or our designee will:

1. Review your proposed site for compliance with our site selection guidelines and accept or deny the site and your proposed lease or contract of sale (Franchise Agreement, Section 3.2).
2. Provide you with access to approved specifications and layouts for your Restaurant, including requirements or recommendations (as applicable) for dimensions, design, interior layout, decor, decorative materials, fixtures, equipment, furniture, and signs, which you will implement and adapt for your Restaurant. We do not deliver or install any of these items (Franchise Agreement, Section 3.4).
3. Provide you with access to our Operations Manual (Franchise Agreement, Section 8.1).
4. Provide you with a list of food items, condiments, inventory, supplies, and other products and services that you must use and provide you with a list of any approved suppliers. We provide written specifications for some items in our Operations Manual. We currently do not provide these items directly or deliver or install any of these items (Franchise Agreement, Sections 6.4, 6.5, and 6.6).
5. Conduct an initial training program (Franchise Agreement, Section 5.1).
6. With regard to your first Restaurant, provide on-site training and opening assistance, the number of personnel and duration of which will be in our discretion. That assistance will be provided at no cost to you (Franchise Agreement, Section 5.2).
7. Review your written start-up marketing program that explains how you will spend the grand opening marketing expenses (Franchise Agreement, Section 9.2).

Under the Franchise Agreement, during the operation of your Restaurant, we or our designee will:

1. Provide ongoing consultation and offer remedial or additional training, at our option (Franchise Agreement, Sections 5.3 and 5.4).
2. Give you any advice and written materials we may develop on the techniques of managing and operating Rusty Taco Restaurants (Franchise Agreement, Section 5.3).
3. Give you updated lists of approved suppliers, as we deem appropriate (Franchise Agreement, Section 6.6).
4. Subject to applicable laws and should we elect to do so, periodically set the maximum and minimum price that you may charge or advertise for products and services offered by your Restaurant (Franchise Agreement, Section 6.9).

5. Administer the Brand Development Fund once instituted (Franchise Agreement, Section 9.3).
6. Provide you access to proprietary software programs (if any) that may be developed by us or on our behalf for use in the System. We reserve the right to charge a reasonable license fee (Franchise Agreement, Section 10.2).

Before you sign a Development Agreement, you and we will agree on the Development Area within which you will look for Rusty Taco sites (Development Agreement, Section 1.1 and Attachment A), the number of Rusty Taco Restaurants you will be required to open (Development Agreement, Section 1.1 and Attachment A), and the schedule by which you must sign Franchise Agreements and open Rusty Taco Restaurants in accordance with those agreements (Development Agreement, Section 1.1 and Attachment A). We are not required to provide assistance to you prior to commencement of your activities under the Development Agreement. During your activities under the Development Agreement, we will provide the following assistance:

1. Review and either approve or reject your proposed sites (Development Agreement, Section 1.4).
2. Issue Franchise Agreements for execution once sites are approved (Development Agreement, Sections 1.5 and 3.1).

Grand Opening Advertising

Unless we agree otherwise, at least 60 days before your Restaurant's planned opening date, you must prepare and submit to us for our approval a proposed grand opening advertising program, which complies with our System Standards. You must obtain our prior approval of your grand opening advertising program and spend at least \$10,000 on approved marketing efforts during the period beginning 45 days before and ending 60 days after your Restaurant opens.

Local Advertising

We may require you to spend the amount that we periodically specify, subject to the Marketing Spending Requirement, on local advertising, including participation in all advertising, sales and branding promotion programs that we may authorize or develop for Rusty Taco Restaurants ("Local Advertising"). The current Local Advertising spending requirement is 2% of your Restaurant's Gross Sales. You must provide us with an accounting of your Local Advertising expenditures for the time periods we require.

Your advertising, promotion, and marketing must be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. You must submit for our approval samples of all Local Advertising and promotional materials not prepared or previously approved by us. You may not use any advertising or promotional materials that we have not approved or that we have disapproved. You must list and advertise your Restaurant in the business directory listings that we require (which may be traditional book listings or Internet listings) and in the format we require. Your cost for these listings is credited toward your spending requirement on Local Advertising.

Unless approved by us in writing, you may not engage in any promotional or similar activities, directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system.

Brand Development Fund

You must contribute to the Brand Development Fund (“Fund”) currently in an amount equal to 1% of your Restaurant’s Gross Sales; however, subject to the Marketing Spending Requirement we may change that amount by providing written notice to you. All franchisees must contribute to the Fund as directed, although some franchisees operating under different forms of franchise agreement might contribute at different rates. Although not contractually required to do so, the Rusty Taco Restaurant that we or our affiliates own contribute to the Fund on the same basis as our franchisees.

We or our designee will administer the Fund. The Fund is not our asset and do not owe any fiduciary obligation to you for administering the Fund or any other reason. We or our designee have the right to use Fund monies, in our sole discretion, to pay for: creative development services (including creation and modification of Rusty Taco Restaurant design and trade dress, logos, menu design, graphics, and vehicle wraps, and advertising and promotional items, including the cost of retiring expired or obsolete printed items and materials, photography services, and design software); preparing and procuring market studies, providing or obtaining marketing services (including new product development; conducting customer surveys, focus groups, and marketing-related mystery shops and customer interviews); employing advertising and/or public relations agencies; developing, producing, distributing and placing advertising (including preparing and conducting media advertising campaigns in various media, local Rusty Taco Restaurant advertising and promotion in a particular area or market, or for the benefit of a particular Rusty Taco Restaurant or Rusty Taco Restaurants together with opening promotions or otherwise); conducting and administering in-restaurant promotions; preparing and executing direct mail advertising, and developing, producing and purchasing point-of-sale advertising, menus and menu boards, and other sales aids and promotional items and materials); research and development and menu development (including purchase of equipment, smallwares, and packaging required for new product testing and development, hiring culinary talent and/or engaging culinary or other consultants); developing, updating, and hosting our Website (including development of locator programs) and/or an intranet or extranet system; obtaining sponsorships and endorsements; preparing and conducting sweepstakes and other promotions; developing, administering, and distributing coupons, certificates and stored value card programs, and the cost of products associated with the redemption of free coupons, gift certificates and stored value cards; developing and administering other customer loyalty programs; developing and administering online ordering platforms; providing and procuring public relations services; and conducting public relations activities. We may periodically engage in initiatives, new or otherwise, relating to the brand development activities stated above, and in order to implement or maintain the new or existing initiatives, we may use Fund monies to pay for the initial and recurring costs of new or existing initiatives. We will not use Fund monies for creating or placing any advertisement that is principally a solicitation for new franchisees, but we may include in advertisements prepared using Fund monies (including Internet advertising) information concerning franchise opportunities, and we may use a portion of Fund monies to create and maintain one or more pages on our Website devoted to advertising franchise opportunities and identifying and screening inquiries and applications that franchise candidates submit.

We reserve the right to reimburse ourselves or our designee for such reasonable administrative costs and overhead we or our designee incur for activities reasonably related to the administration and direction of the Fund, including the proportionate compensation of our or our designee’s employees or agents, who devote time and provide service in the conduct, formulation, development and production of these advertising and promotion programs or the administration of the Fund.

We are not obligated to spend any amount on advertising in the area or territory where your Restaurant is located. We also have no fiduciary obligations regarding the Fund. If Fund contributions are not spent in any fiscal year, the excess amount of Fund contribution will be carried over for future use. We will prepare an annual unaudited statement of the operations of the Fund, and we will make it available to you upon your written request. We are not required to have the Fund statements audited.

We may terminate the Fund at any time. However, we will not terminate the Fund until we spend all monies contributed to the Fund for permitted uses or return them to the contributors in the manner we deem fair and equitable.

The Fund did not exist and therefore had no activities in fiscal year 2022.

Local Advertising Co-Ops

We may designate a geographic area in which 2 or more Rusty Taco Restaurants are located as an area for an advertising cooperative (each a “Local Advertising Co-Op”). The Local Advertising Co-Op members in any area are the owners of all of the Rusty Taco Restaurants operating in that area (including us and our affiliates, if applicable). We will determine how each Local Advertising Co-Op is organized and governed and when it begins operating, and this organization may be a formal, legal entity or may be an informal organization. We may form, change, dissolve, and merge Local Advertising Co-Ops. Each Local Advertising Co-Op’s purpose is, with our approval, to administer advertising programs and develop advertising, marketing, and promotional materials for the area that the Local Advertising Co-Op covers. Whether or not the Local Advertising Co-Op is a formal, legal entity, or is an informal organization, you must sign the documents that we require to become a member of the Local Advertising Co-Op and participate in the Local Advertising Co-Op as those documents require. We anticipate that Local Advertising Co-Ops will operate from written governing documents and prepare periodic financial statements that members may review. We have the sole discretion to approve any marketing and advertising materials used by the Local Advertising Co-Ops.

The Local Advertising Co-Op’s members will administer the Local Advertising Co-Op, but the amount you will be required to contribute will be subject to the Marketing Spending Requirement. All material decisions of the Local Advertising Co-Op, including contribution levels (which also require our approval), will require the affirmative vote of at least 51% of all Rusty Taco Restaurants operating within the Local Advertising Co-Op’s area including, if applicable, those that we or our affiliates operate. Each participating Rusty Taco Restaurant receives one vote. All Local Advertising Co-Op members, including us or our affiliates for Restaurants located in the Local Advertising Co-Op’s area that we or they own, will contribute at the same approved rate. The Local Advertising Co-Op will determine whether to prepare annual or periodic financial statements.

Franchisee Council

We currently have an informal Franchise Advisory Council (“FAC”) which advises us on various matters involving the operation of Rusty Taco Restaurants, including advertising programs. The members of the FAC are selected by us and serve at our discretion. The FAC serves in an advisory capacity only and has no operational or decision-making power.

System Websites and Electronic Advertising

We have established a website for the Rusty Taco System (“System Website”). We or one or more of our designees may use the System Website: (a) to advertise, market, and promote Rusty Taco Restaurants and other products they offer, and/or the Rusty Taco Restaurant franchise opportunity; (b) to function as the Intranet; and/or (c) for any other purposes that we determine are appropriate for Rusty Taco Restaurants or the System. If we include information about your Restaurant on the System Website, you must give us the information and materials that we periodically request concerning your Restaurant and otherwise participate in the System Website in the manner that we periodically specify. By posting or submitting information or

materials for the System Website, you are representing to us that the information and materials are accurate, are not misleading, and do not infringe any third party's rights.

We own all intellectual property and other rights in the System Website and all information it contains, including the domain name or URL for the System Website, the log of "hits" by visitors, and any personal or business data that visitors (including you and your personnel) supply. We may implement and periodically modify system standards relating to the System Website and, at our option, may discontinue the System Website, or any services offered through the System Website, at any time.

All advertising, marketing, and promotional materials that you develop for your Restaurant must contain notices of the System Website's URL in the manner that we periodically designate. You may not develop, maintain, or authorize any other Website, other online presence, or other electronic medium that mentions or describes your Restaurant or displays any of the Marks without our prior approval. 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. We have the right to maintain Websites other than the System Website and to offer and sell products and services under the Marks from the System Website, another Website, or otherwise over the Internet without payment or obligation of any kind to you.

Computer Systems

You must lease, install, and maintain at your Restaurant only the point-of-sale cash registers and computer systems, printers, EMV readers, and other related hardware and software ("Computer System") that meet our System Standards. These requirements may include hardware components, dedicated telephone lines, a high-speed, broadband Internet connection at our then-current, minimum bandwidth specification, modems, printers, and other computer-related accessories and peripheral equipment. The cost of the Computer System is in the range of \$15,000 to \$30,000.

We or our affiliates will have no limitations on our ability to independently access your Computer System at all times. We or our affiliate have no obligation to provide ongoing maintenance, repairs, upgrades or updates to your Computer System. However, you must, at your cost, update and upgrade the Computer System to comply with the System Standards. There are no contractual limitations on our right to modify the System Standards for the Computer System. We estimate that your annual cost of optional or required maintenance, updating, upgrading, or support contracts related to the Computer System will be in the range of \$4,000 to \$4,500 per year.

Training

Shane Brewer, Senior Director of Operations, directs the training program for Rusty Taco Restaurant openings and provides ongoing support. Mr. Brewer has less than 1 year of experience with us, 11 years' experience with our Predecessor and its predecessor, and over 31 years of experience in the subjects taught. Other employees who have experience with the operation of Rusty Taco Restaurants will assist Mr. Brewer with the development and administration of our training program.

We currently conduct our training on an as-needed basis. The Operations Manual contains the primary instruction material for training, in addition to other relevant materials which we will provide during training.

At least 60 days before opening your Restaurant, at least one person and up to three people (one of which must be your Operating Principal or Restaurant Manager, if applicable) must attend and complete to our satisfaction our initial training program on the general business aspects of operating a Rusty Taco Restaurant. We will provide initial training for no additional fee for up to three people associated with your Restaurant, including you (or your Operating Principal) and your Restaurant Manager, if applicable, but

you will be responsible for all travel and living expenses and related costs that your personnel incur. All persons in your group who attend training must do so at the same time.

The initial training program consists of classes conducted at one of our company-owned Rusty Taco Restaurants in Dallas, Texas or other designated locations. This training will cover basic aspects of establishing and operating a Rusty Taco Restaurant, including all phases of restaurant opening and closing procedures, food preparation and presentation, pricing, customer service issues, employee training, cleaning procedures, cash management, budgeting and bill paying, forms, purchasing, inventory control and disposition, comprehensive marketing, selling skills, job functions, and maintenance of quality standards. The initial training is anticipated to last approximately 28 to 35 days.

Our initial training program is subject to change, without notice, to reflect updates in the materials, methods, and manuals and changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the trainees. If you notify us within 6 months of completing the initial training program that you believe you did not receive adequate training, we will permit you and one additional person to attend our next regularly scheduled training program without charge, but you will be responsible for all travel and living expenses and related costs that your personnel incur. If we do not receive notification within this 6-month period, then you will be deemed to have waived any claim that you did not receive adequate training.

If this is your (and your affiliates’) first Restaurant, we will provide on-site opening assistance (the number of persons, content and duration of which will be at our discretion) at no charge to you, but you must pay all of your employee wages and the cost of food used during the assistance period. Your Operating Principal or your Restaurant Manager must be present in your Restaurant during the opening assistance period. If you ask us to provide additional assistance for your opening, we may charge you for it, based on our then-current per diem rate plus our related expenses, including costs of travel, lodging, and meals. These amounts are not refundable.

We will provide the on-site, opening training your Restaurant once you have completed all improvements at your Restaurant, received a certificate of occupancy, applied for your liquor license, and have hired enough employees to staff your Restaurant.

If you do not complete the initial training to our satisfaction, in our sole discretion, we may terminate the Franchise Agreement. The following is an outline of the training you will receive:

INITIAL TRAINING PROGRAM

Subject	Classroom Training Hours	On-the-Job Training Hours	Location
Introduction/Orientation	0	4	Dallas, Texas
Restaurant Operations	8-14	132-160	Dallas, Texas
Marketing/Customer Services	8-14	8	Dallas, Texas
TOTAL HOURS	16-28	144-172	

This training program is provided as an example of our recent training courses. We reserve the right to make adjustments to the training agenda above, without notice to you, including the method and manner in which the content is delivered.

We may also periodically offer additional mandatory, optional, refresher, advanced, or other training programs or seminars, addressing common problems that franchisees experience or new products, services, or techniques, and we may establish reasonable fees for attendance at these events. These seminars and training programs may discuss sales techniques, personnel training, bookkeeping, accounting, inventory acquisition and control, performance standards, advertising programs and merchandising procedures. You must pay for all travel, lodging, living expenses and compensation for you and your manager and/or employees incurred while attending any training program. Our ongoing training program may involve access to a learning management system for which you will pay an annual fee per Restaurant. This fee is not currently charged.

Operations Manual

After you sign the Franchise Agreement, we will provide you with online access to our Operations Manual via our Intranet or other means, such as via email. As of the issuance date of this Disclosure Document, our Operations Manual contains a total of 210 pages. A copy of the current table of contents of the Operations Manual is attached as Exhibit F.

Site Selection and Opening

When you sign the Franchise Agreement, we will agree on a “Site Selection Area” within which you may locate your Restaurant. You must identify an acceptable site for your Restaurant within 180 days after we and you enter into the Franchise Agreement. For each proposed site that you identify, you must deliver to us a franchise site application request packet in a form that we prescribe, including information about the site as we may reasonably require to perform our evaluation. We typically approve or refuse to approve your proposed site within 45 days of receiving all requested information about the site. Our failure to provide notification within this time period will not be considered either approval or disapproval. The criteria that we use to evaluate the site include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. If you fail to identify a site that is acceptable to us, and as a result you do not open your Restaurant by the Opening Date, defined below, we may terminate the franchise. If you sign a Development Agreement with us, the Franchise Agreement you sign for each Rusty Taco Restaurant will contain the site selection and acceptance procedures.

The average time between signing a Franchise Agreement (or paying money to us) and opening of the Rusty Taco Restaurant is 6 months to a year. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to locate a location which we will accept; to obtain any financing you need; to obtain required permits and governmental agency approvals; to fulfill local ordinance requirements; to complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs; to complete our initial training program; and to complete the hiring and training of personnel. Inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors may cause delays in construction.

We may terminate the Franchise Agreement if you fail to commence operations at your Restaurant by the 120th date following the date on which you took or by which you were required to have taken possession of the premises of your Restaurant.

ITEM 12 TERRITORY

You will operate your Restaurant from a location that you select and that we accept. You may not relocate your Restaurant without our prior written consent. As long as you are not in default, we will allow you to relocate your Restaurant to a location that meets our then-current criteria for Rusty Taco Restaurants. In connection with the relocation, you must sign a new, then-current form of Franchise Agreement, and a

general release by you and your related parties of all claims against us and our related parties. Site selection, construction, and opening of the relocated Rusty Taco Restaurant will be governed by the new franchise agreement. You are solely responsible for all relocation costs and expenses, which may include reimbursement of our reasonable costs and expenses associated with the relocation.

Franchise Agreement

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. However, if you are in full compliance with the Franchise Agreement, during the Franchise Agreement's term, except as stated below, neither we nor our affiliates will operate, or authorize any other party to operate, a Rusty Taco Restaurant within the Protected Territory specified in the Franchise Agreement.

Generally, the "Protected Territory" will be a geographic area which is a circle having your Restaurant's front entrance as its center and a radius of two (2) miles; however, we reserve the right to change the definition of the Protected Territory in densely populated urban areas (New York City or Washington D.C., for example), and the Protected Territory may be as small as an office or retail building. Under the Franchise Agreement, you do not have any options, right of first refusal or similar rights to obtain additional Restaurants. You are not restricted from soliciting or accepting orders from consumers outside of your Protected Territory. You may engage in catering and delivery services only with our approval and according to our System Standards. We may periodically add, eliminate, or modify authorized goods and services, in our sole discretion, including limiting the geographical area in which you can provide catering services.

We retain all other rights, including the right: (a) to develop and establish other business systems using the Marks, or other names or marks, and to grant licenses to use those systems without providing you any rights; (b) to advertise and promote the Rusty Taco franchise system in the Protected Territory; (c) to operate, and license others to operate, non-traditional Rusty Taco Restaurants under the Marks at any captive or non-traditional location, regardless of whether such restaurants are located in the Protected Territory or not, and outside the Protected Territory; and (d) to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license, and sale of any and all food, beverages, or other services and products, including those similar to those you offer, under the Marks, or under other names or marks, within and outside the Protected Territory, through any method of distribution, including mail order catalogs, the Internet, and other permanent, temporary, or seasonal food service facilities, carts, food trucks, or kiosks (which facilities may provide, in whole or in part, the products and services offered by a Rusty Taco Restaurant). We may solicit and accept orders from customers inside your Protected Territory, including through other channels of distribution such as the Internet, catalog sales or other direct marketing sales, whether under the Marks or other trademarks. We are not required to compensate you if we exercise any of the rights specified above inside your Protected Territory.

Unless you sign a Development Agreement, you have no options or similar rights to acquire additional franchises. Continuation of your territorial rights does not depend on your achieving a certain sales volume, market penetration or other contingency.

Development Agreement

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. However, if you and your affiliates are in full compliance with the Development Agreement and all other agreements with us and our affiliates, and except as written below, neither we nor any of our affiliates will establish, or authorize any person or entity other than you or any of your affiliates to establish, a Rusty Taco Restaurant in the Development Area defined in the Development Agreement, except for Non-Traditional Locations within the Development Area.

Under the Development Agreement, you agree to enter into a specific number of franchise agreements and open Rusty Taco Restaurants within the Development Area. The Franchise Agreement you sign for each Restaurant will contain the site selection and acceptance procedures. If you fail to meet any of your obligations under the Development Agreement, including the development obligations timeline, we may reduce the number of Restaurants you are allowed to establish under the Development Schedule, or we may reduce the size of the Development Area where you plan to locate your Restaurant. Otherwise, continuation of your territorial rights does not depend on your achieving a certain sales volume, marketing penetration or other contingency, and we may not alter your Development Area or your territorial rights in the Development Area during the term of the Development Agreement. When the Development Agreement expires or is terminated, you cannot develop additional Restaurants in the Development Area, unless you enter into a new Development Agreement with us, at our sole discretion.

Upon expiration or termination of the Development Agreement, the only territorial protection you will retain for each Restaurant developed under the Development Agreement will be the Protected Territory defined in the Franchise Agreement for that Restaurant.

We and our affiliates retain all other rights, including the right: (a) to develop and establish other business systems using the Marks, or other names or marks, and to grant licenses to use those systems without providing you any rights; (b) to advertise and promote the Rusty Taco franchise system in the Protected Territory; (c) to operate, and license others to operate, non-traditional Rusty Taco Restaurants under the Marks at any captive or non-traditional location, regardless of whether such restaurants are located in the Protected Territory or not, and outside the Protected Territory; and (d) to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license, and sale of any and all food, beverages, or other services and products, including those similar to those you offer, under the Marks, or under other names or marks, within and outside the Protected Territory, through any method of distribution, including mail order catalogs, the Internet, and other permanent, temporary, or seasonal food service facilities, carts, food trucks, or kiosks (which facilities may provide, in whole or in part, the products and services offered by a Rusty Taco Restaurant).

Except for development rights granted under a Development Agreement, we do not grant any rights of first refusal to obtain additional Rusty Taco Restaurants. If you wish to obtain an additional location, you must enter into a new Franchise Agreement for that location. The only provisions available to you to relocate a Rusty Taco Restaurant are contained in your Restaurant's Franchise Agreement, which requires you to obtain our prior written consent before relocating your Restaurant.


There is no mechanism for resolving any conflicts that may arise between franchised or company-owned Restaurants that operate under the Marks (including your Restaurant) or any restaurant that operates under the MOOYAH® or the Rusty Taco® trademarks. While we do not anticipate conflicts arising between franchisees of different brands owned by us and our affiliates, we and our affiliates will analyze any future conflict and take action (if any) that we deem appropriate. Any resolution of conflicts regarding location, customers, support, or services will be entirely within your and our business judgment.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to use the Marks. Currently, Rusty Taco Parent owns Marks. Under the License Agreement dated December 19, 2022, (the "License Agreement"), Rusty Taco Parent has licensed to us the right to use, and further sublicense the right to use, the Marks in connection with the franchising, development, and operation of Rusty Taco Restaurants. The License Agreement has a term of 99 years; however, the License Agreement will terminate (i) if we cease to be an affiliate of Rusty Taco Parent, or (ii) if we do not cure any material breach of our obligation within 30 days from our receipt of a notice of default. The termination of the License Agreement will result in the loss of our right to use and to

sublicense the use of the Marks; however, your rights to use the Marks during the current term of your Franchise Agreement will not be affected by the termination or expiration of our license.

The following Marks are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	Registration Number	Registration Date
Rusty Taco (standard character)	3886304	December 7, 2010
	3889809	December 14, 2010

For each registration noted above, all required affidavits have been filed. There is no presently effective determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Marks which is relevant to their ownership, use, or licensing.

Except the limitations described in the License Agreement, we know of no superior prior rights or infringing use that could materially affect your use of the Marks, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks.

You must promptly notify us of any suspected unauthorized use of, or any challenge to the validity of the Marks or any challenge to our or our affiliates’ ownership of, our license to use and to license others to use, or your right to use the Marks. We may, but are not required, to take any action we deem appropriate in connection with any infringement of the Marks. We have the right to control exclusively, or to delegate control of, any legal, regulatory, or administrative proceeding, including the settlement thereof, regarding the Marks. You shall execute any and all documents and do such acts as may, in our opinion, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your associated costs.

We may, in our sole discretion, designate one or more new, modified, or replacement Marks for your use and require your use of any such new, modified, or replacement Marks in addition to or in lieu of any previously designated Marks. You must comply with any such directive relating to the use of new, modified, or replacement Marks within the time periods we specify depending on the reason for the change. We need not reimburse you for your expenses in complying with our direction in this regard or for any loss of revenue due to any modified or discontinued Mark. We may exercise these rights at any time and for any reason, and you waive any claims, demands or damages arising therefrom.

**ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

There are no patents or copyrights currently registered which are material to the development and operation of Rusty Taco Restaurants. We do claim copyright ownership and protection for the Franchise Agreement, Operations Manual, website and for various training, sales, promotional and other written materials relating to the operation of Rusty Taco Restaurants and the System (“Copyrighted Works”). We or our affiliates

own all works of authorship relating to the franchise system and created in the future. We license you to use the Copyrighted Works to operate your Restaurant.

There is no presently effective determination of the USPTO, the United States Copyright Office (Library of Congress), Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses known to us which could materially affect your use of the patents or copyrights.

You must promptly notify us of any suspected unauthorized use of, or any challenge to the validity of the Copyrighted Works or any challenge to our or our affiliates' ownership of, our license to use and to license others to use, or your right to use the Copyrighted Works. We may, but are not required, to take any action we deem appropriate in connection with any infringement of the Copyrighted Works. We have the right to control exclusively, or to delegate control of, any legal, regulatory, or administrative proceeding, including the settlement thereof, regarding the Copyrighted Works. You shall execute any and all documents and do such acts as may, in our opinion, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Copyrighted Works in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your associated costs.

You must modify or discontinue using the Copyrighted Works as we specify. We need not reimburse you for your expenses of complying with our direction in this regard or for any loss of revenue due to any modified or discontinued Copyrighted Works. We may exercise these rights at any time and for any reason, and you waive any claims, demands or damages arising therefrom.

You and your employees must maintain the confidentiality of all information contained in the Operations Manual and other information that we consider confidential, proprietary, or trade secret information. "Confidential Information" means all non-public information about the System and the operation of Rusty Taco Restaurants (including your Restaurant), some of which may constitute trade secrets under Applicable Law, regardless of whether it is marked "confidential," including the System Standards (and other methods, formats, specifications, standards, systems, procedures, techniques, market research, customer data, knowledge, and experience used in developing, promoting and operating Rusty Taco Restaurants and the products they offer and sell), and other elements of the System; all customer information; all information contained in the Operations Manual; site selection criteria; growth and development plans, strategies and forecasts related to the System; training and operations materials; knowledge of and specifications for, and vendors of, Items and other products and supplies; any software or other technology which is proprietary to us, our Affiliates, or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other materials generated by, the software or other technology; knowledge of the operating results and financial performance of Rusty Taco Restaurants (including your Restaurant).

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

If you are not a natural person, you must designate a natural person to act as your "Operating Principal." Your Operating Principal must be a natural person, who is approved by us and is either your general partner or a person that owns at least a 10% direct or indirect ownership interest in you. You or your Operating Principal (if you are not a natural person) must engage in and have control over the on-premises day-to-day supervision of your Restaurant. Unless a Restaurant Manager is appointed, as described below, the Operating Principal shall also devote full-time efforts to the operation of your Restaurant and shall not

engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment.

If, at any time, you or your affiliates operate more than one Rusty Taco Restaurant, then, in addition to the Operating Principal, you must appoint an individual (who need not have an ownership interest in you) to serve as “Restaurant Manager.” The Restaurant Manager must be approved by us and, once approved by us to assume the role, shall have full control over day-to-day Restaurant management and operations. Your Restaurant Manager shall devote full-time efforts to the management and operation of your Restaurant and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment.

If the Operating Principal or Restaurant Manager cease to serve in, or no longer qualify for, such position(s), you must designate another qualified person to serve as your Operating Principal or Restaurant Manager (as applicable) within 30 days after the date the prior Operating Principal or Restaurant Manager ceases to serve or no longer qualifies to serve. Any proposed replacement Operating Principal or Restaurant Manager is subject to our written approval and must successfully complete, to our satisfaction, all training we require before becoming the Operating Principal or Restaurant Manager (as applicable) and, in no event, later than 90 days after the previous Operating Principal or Restaurant Manager (as applicable) ceased to serve in such position(s). We may charge you our then-current per diem for every replacement Restaurant Manager we train.

If you are not a natural person, then each individual or entity holding direct or indirect beneficial ownership in you must sign a Guaranty and Personal Undertaking substantially in the form attached as Attachment C to the Franchise Agreement. The spouse of every natural person that signs the Guaranty and Personal Undertaking must also sign the Guaranty and Personal Undertaking to bind their marital assets to the guaranty. To the extent not prohibited by applicable law, any person we designate, including individuals who attend our initial training program, must sign our then-current form of confidentiality and noncompetition agreement.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all menu items that we require and only those menu items that we have approved as of the time you offer and sell them. You must prepare, package, and serve all menu items in accordance with our System Standards, which may include use of specific ingredients, adherence to recipes, use of specific containers and paper goods, packaging procedures, requirements or prohibitions relating to “combo meals,” product holding times, and other standards for displaying for sale menu items and other merchandise. You must participate in all product and market research programs we require (which may include test-marketing new products) and provide us with timely reports and test results in accordance with our guidelines for each program.

You must not offer for sale or sell any other category of products or use the premises for any purpose other than operating your Restaurant in compliance with the Franchise Agreement. You must discontinue offering and selling products that we do not or no longer approve for sale at or from your Restaurant. There are no limits on our right to make modifications to the approved products and services periodically as described in the Operations Manual, or otherwise in writing. Any failure to do so or to meet product quality standards may result in the termination of your Franchise Agreement.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

These tables list certain important provisions of the Franchise Agreement, the Development Agreement, and related agreements. You should read these provisions in the Franchise Agreement and the Development Agreement attached to this Disclosure Document.

FRANCHISE AGREEMENT

Provisions	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 2.1	Unless sooner terminated as provided in this Agreement, the period beginning on the Effective Date and ending on the 10 th anniversary of the Opening Date.
b. Renewal or extension of the term	Sections 2.1 and 2.2	If you are in good standing, you can renew for one additional 10-year term.
c. Requirements for franchisee to renew or extend	Section 2.2	(a) you have notified us of your desire to renew the Franchise no less than 12 months and no more than 24 months before the end of the Term; (b) you are not in default of any material provision of the Franchise Agreement and you have complied with the material terms and conditions of the Franchise Agreement throughout the Term; (c) all amounts owed to us and our affiliates and third-party suppliers to your Restaurant have been paid; (d) the Restaurant has been renovated and refurbished so that it reflects all then-current System Standards; (e) you have the right to remain in possession of the site, or have secured an alternate site with our prior written approval; (f) you comply with our then-current qualifications and training requirements; (g) you sign our then-current form of Franchise Agreement, the terms of which may be materially different than the terms of the Franchise Agreement, including but not limited to royalty and advertising fees and contribution requirements, and each Owner executes a personal guaranty and undertaking in the form we prescribe; (h) you and each Owner sign a general and full release in favor of us, and our affiliates and our and their respective, officers, directors, owners, managers, employees, and agents, of all claims you and your owners may then have; and (i) you pay a renewal fee, in an amount equal to 50% of the initial franchise fee we are then charging for the purchase of a Franchise. Additional renewals will be at our sole discretion.
d. Termination by franchisee	Not applicable	Not applicable (subject to state law)
e. Termination by franchisor without cause	Section 13.5	Under cross-default provision, we can terminate the Franchise Agreement if you or your affiliates fails to comply with any other agreement with us or our affiliates and do not cure such failure within the applicable cure period.

Provisions	Section in Franchise Agreement	Summary
f. Termination by franchisor with cause	Section 13	We may terminate only if you or your owners commit one of several violations described in Section 13 of the Franchise Agreement and fail to cure your default within the applicable cure period, if any.
g. "Cause" defined – curable defaults	Sections 13.3 to 13.6	<p>You have 10 days to cure (a) failure to obtain or maintain required insurance; (b) failure to pay any amounts due to us or our affiliates when due; (c) failure to pay any amounts due to the landlord of your Restaurant's premises, your suppliers, or other trade creditors; (d) failure to pay any amounts for which we have advanced funds for or on your behalf, or upon which we are acting as guarantor of your obligations; (e) violation of any provision of the Franchise Agreement concerning the use and protection of the Marks or Copyrighted Works; or (f) violation of any provision of the Franchise Agreement concerning the preparation, service, appearance, or quality of products or services.</p> <p>You have 30 days to cure non-compliance with laws and defaults not listed in Section 13, and in the case of a breach or default in the performance of your obligations under any other agreement between you and us or any of our affiliates (cross-default), the notice and cure provisions of the other agreement will control.</p>
h. "Cause" defined – non- curable defaults	Sections 13.1 and 13.2	<p>(a) your Operating Principal or Restaurant Manager fails to successfully complete training; (b) you fail to open the Restaurant for business by the Opening Date; (c) you (i) permanently close your Restaurant for business or inform us of your intention to cease operations, (ii) fail to actively operate your Restaurant for three or more consecutive days, or (iii) otherwise abandon or appear to have abandoned your rights under the Franchise Agreement; (d) you lose any license required to operate the Restaurant or you lose your right to occupy the site; (e) you or any owner or Restaurant Manager are convicted of, or plead no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on your Restaurant or the System; (f) there is any Transfer or attempted Transfer in violation of the Franchise Agreement; (g) you or any owner fails to comply with the confidentiality or noncompetition covenants; (h) you or any owner has made any material misrepresentations; (i) you fail to comply with notification requirements set forth concerning investigations and Crisis Management Events; (j) you understate any payment to us by 3% or more, or understate any such payment in any amount, twice in any two-year period; (k) an imminent threat or danger to public health or safety results from the operation of your Restaurant; (l) you knowingly maintain false books or records or submit any false reports or</p>

Provisions	Section in Franchise Agreement	Summary
		statements to us; (m) you offer unauthorized products or services from your Restaurant premises or in conjunction with the Marks or Copyrighted Works; (n) you purchase items for which we have identified a designated supplier from an unapproved source; (o) you fail to pass two or more quality assurance inspections within any rolling 12-month period; (p) you violate our policies for Rusty Taco Restaurant operations, without authorization or permission, on two or more occasions within any rolling 12-month period, including without limitation failure to accurately account for all Gross Sales through the Computer System; (q) you fail to participate in any advertising program or fail to maintain required hours of operation on two or more occasions without prior written permission, within any rolling 12-month period; (r) you violate any Dram Shop laws; (t) we deliver to you three or more written notices of default within any rolling 12-month period, whether or not the defaults described in such notices ultimately are cured; or (u) insolvency, general assignment for benefit of creditors, or other bankruptcy event in Section 13.1 of the Franchise Agreement.
i. Franchisee’s obligations on termination or nonrenewal	Article 14	You must cease use of our Marks, de-identify, assign the lease for your Restaurant, pay all amounts due to us, and return the Operations Manual and other Confidential Information to us. We may, at our option, assume all telephone numbers for your Restaurant. You must, at our option, cancel or assign to us your rights to any Internet websites or web pages or email addresses which contain our Marks. You may also be responsible for paying liquidated damages.
j. Assignment of contract by franchisor	Section 12.1	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	Article 12	“Transfer” means the appointment of a third-party manager to assume day-to-day responsibility for the operation of your Restaurant or the sale, assignment, transfer, conveyance, give-away, pledge, mortgage, or other disposition or encumber of any direct or indirect interest in the Franchise Agreement (including, without limitation, any or all of your rights or obligations under it), your Restaurant or its assets (other than in the ordinary course of business), your right to possession of the premises on which your Restaurant is located, or any direct or indirect ownership interest in you (regardless of its size).
l. Franchisor approval of transfer by franchisee	Sections 12.2, 12.3, and 12.4	You and, if applicable, your Owners, may not engage in any form of Transfer without our prior written consent.

Provisions	Section in Franchise Agreement	Summary
m. Conditions for franchisor approval of transfer	Section 12.2	You must provide us written notice at least 60 days prior to the proposed transfer; we must determine that the Transfer will not materially and adversely affect your Restaurant, the Rusty Taco® brand or the System; the transferee meets our then-current standards; all monetary obligations are paid to us, our affiliates, and third parties; you are in full compliance with your Franchise Agreement and all other agreements with us and our affiliates; you or the transferee agree to refurbish your Restaurant premises in accordance with our System Standards; you and each new owner signs a guarantee (subject to state law); you pay the transfer fee; you provide us all transfer documents and other information we request; the transferee signs our then-current form of franchise agreement; and the transferee completes our then-current training requirements.
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 12.6	We can match any bona fide offer for your Restaurant.
o. Franchisor’s option to purchase your business	Section 14.5	We have the option to purchase some or all of your equipment, furnishings and fixtures on expiration or termination of your Franchise Agreement, at their then-current fair market value.
p. Death or disability of franchisee	Section 12.7	Same requirements as for transfer in “m” above, except there is no transfer fee and we do not have right of first refusal. If your interest is not transferred within 6 months following your (or an owner or Operating Principal’s) death or legal incapacity, your Franchise Agreement may be terminated.
q. Non-competition covenants during the term of the franchise	Section 15.1	<p>You and your owners will not, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship with a Competitive Business (i) anywhere in the world, or (ii) at any location within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which we or our affiliates have used, sought registration of, or registered the Marks or similar marks.</p> <p>“Competitive Business” means any restaurant or other food service business deriving more than 10% of its revenue (excluding revenue derived from the sale of alcoholic beverages) from the sale of Mexican-inspired food, other than a Rusty Taco Restaurant operated pursuant to a then-currently effective Franchise Agreement with us or our Affiliate.</p>

Provisions	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 15.2	For an uninterrupted period of two (2) years after the termination or expiration of the Franchise Agreement, neither you nor your owners may own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in a Competing Business that: (i) is, or is intended to be, located at the site; (ii) is within a five-mile radius of your Restaurant; or (iii) is within a five-mile radius of any other Rusty Taco Restaurant operating under the System and Marks, that is in existence or under development at any location within the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which we or our affiliates have used, sought registration of, or registered the Marks or similar marks, or operate or license others to operate a business under the Marks or similar marks, at the time of such expiration, termination, or Transfer.
s. Modification of the agreement	Section 18.1	Any change to the Franchise Agreement or any other agreement between us and you must be in writing and signed by all parties.
t. Integration/merger clause	Section 18.1	Only the terms of the Franchise Agreement, System Standards described in our Operations Manual, and other related written agreements are binding (subject to state law). Any representations or promises outside of the Disclosure Document and the Franchise Agreement and other related written agreements between you and us may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 19.3	We and you must arbitrate all disputes at a location in or within 50 miles of our or, as applicable, our successor's or assign's then current principal place of business (currently, Costa Mesa, California) (subject to state law).
v. Choice of forum	Section 19.2	The venue of arbitration will be in the state where our or, as applicable, our successor's or assign's corporate headquarters are located (currently, Costa Mesa, California) (subject to state law).
w. Choice of law	Section 19.1	Delaware law (subject to applicable state law).

DEVELOPMENT AGREEMENT

Provision	Section in Development Agreement	Summary
a. Length of the Agreement term	Data Sheet	The period beginning on the effective date and ending on the earlier of: (i) the date on which you have completed your development obligations, or (ii) 12:00 midnight EST on the last day specified in the development schedule described in the Development Agreement.

Provision	Section in Development Agreement	Summary
b. Renewal or extension of the term	Not applicable	You do not have the right to renew your Development Agreement.
c. Requirements for Developer to renew or extend	Not applicable	Not applicable
d. Termination by Developer	Not applicable	Not applicable (subject to state law)
e. Termination by the franchisor without cause	Not applicable	Not applicable
f. Termination by the franchisor with “cause”	Section 7	We can terminate if you materially default under your Development Agreement, an individual Franchise Agreement, or any other agreement between you or your affiliate and us. If you are an individual, we may terminate your Development Agreement following your death or permanent incapacity.
g. “Cause” defined - curable defaults	Sections 9.3, 9.4, and 9.6	You have 10 days to cure: (a) failure to pay any amounts due to us; (b) failure to pay any amounts due to your trade creditors; or (c) failure to pay any amounts for which we have advanced funds for or on your behalf, or upon which we are acting as guarantor of your obligations. You have 30 days to cure any other default, and in the case of a breach or default in the performance of your obligations under any Franchise Agreement or other agreement between you and us or any of our affiliates (cross-default), the notice and cure provisions of the Franchise Agreement or other agreement will control.
h. “Cause” defined – non- curable defaults	Sections 7.1 and 7.2	(a) you fail to adhere to the Development Schedule; (b) you or any owner is convicted of, or pleads no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System; (c) there is any Transfer or attempted Transfer; (d) you or any owner fails to comply with the confidentiality or noncompetition covenants; (e) you or any owner has made any material misrepresentations; (f) we deliver to you three or more written notices of default pursuant to within any rolling 12-month period, whether or not the defaults described in such notices ultimately are cured; (g) if you are an individual, in the event of your death or permanent incapacity; (g) you terminate, without cause, any Franchise Agreement signed pursuant to this Agreement or we terminate any such Franchise Agreement based on your breach; or (h) insolvency or the occurrence of a bankruptcy event.

Provision	Section in Development Agreement	Summary
i. Developer’s obligation on termination/non-renewal	Section 7.2	Upon termination or expiration of this Agreement, you shall have no further right to acquire any additional Franchises or to develop any Rusty Taco Restaurants for which a Franchise Agreement has not been signed. Termination or expiration of this Agreement will not affect any rights or obligations under any then-existing Franchise Agreement.
j. Assignment of contract by franchisor	Section 6.1	No restrictions on our right to assign.
k. “Transfer” by Developer – defined	Sections 8.2 and 8.3	“Transfer” includes the sale, assignment, transfer, conveyance, give-away, pledge, mortgage, or other disposition or encumber of any direct or indirect interest in the Development Agreement, changes in ownership of the developer entity, changes in transfers of assets, and private and public offerings; and assignment of Franchise Agreement.
l. Franchisor approval of transfer by Developer	Section 6.2	You may not engage in a Transfer in respect of this Agreement. Your Owners may not engage in a Transfer of their interests in you without our prior written consent, which we may withhold or condition in our sole discretion.
m. Conditions for franchisor approval of transfer	Not applicable	Not applicable
n. Franchisor’s right of first refusal to acquire Developer’s business	Not applicable	Not applicable
o. Franchisor’s option to purchase Developer’s business	Not applicable	Not applicable
p. Death or disability of Developer	Section 7.2	If you are an individual, we may terminate your Development Agreement following your death or permanent incapacity.
q. Non-competition covenants during the term of the Agreement	Section 4.4	The non-competition rights under the Development Agreement are (i) those obligations that apply during the term of the Franchise Agreement, and (ii) those obligations that apply on expiration or termination of the Franchise Agreement or on transfer of your or your owners’ interests in the Franchise under that agreement will also apply on expiration or termination of this Agreement or transfer of your Owners’ transfer of their interests in you under this Agreement, except that the geographic area to which the post-term or post-transfer obligations apply will be limited under this Agreement to the Development Area.

Provision	Section in Development Agreement	Summary
r. Non-competition covenants after the Agreement is terminated or expires	Section 4.4	The non-competition rights under the Development Agreement are (i) those obligations that apply during the term of the Franchise Agreement, and (ii) those obligations that apply on expiration or termination of the Franchise Agreement or on transfer of your or your owners' interests in the Franchise under that agreement will also apply on expiration or termination of this Agreement or transfer of your Owners' transfer of their interests in you under this Agreement, except that the geographic area to which the post-term or post-transfer obligations apply will be limited under this Agreement to the Development Area.
s. Modification of the Development Agreement	Section 10.1	Any modification must be in writing and signed by all parties.
t. Integration/merger clause	Section 10.1	Only the terms of the Development Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of the Disclosure Document and the Development Agreement and other related written agreements between you and us may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 11.2	We and you must arbitrate all disputes at a location in or within 50 miles of our or, as applicable, our successor's or assign's then current principal place of business (currently, Costa Mesa, California) (subject to state law).
v. Choice of forum	Sections 11.2	The venue of arbitration will be in the state where our or, as applicable, our successor's or assign's corporate headquarters are located (currently, Costa Mesa, California) (subject to state law).
w. Choice of law	Section 11.1	Delaware law (subject to applicable state law).

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote the 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 financial results from our "2022 Fiscal Year," which is the period from January 3, 2022 through January 1, 2023, our "2021 Fiscal Year," which is the period from January 4, 2021 through

January 2, 2022, and our “2020 Fiscal Year,” which is the period from December 30, 2019 through January 3, 2021.

2022 Fiscal Year

As of the end of our 2022 Fiscal Year, there were 33 franchised Rusty Taco Restaurants. For purposes of the disclosures made in Chart 1 below, we have excluded 9 out of 33 franchised Rusty Taco Restaurants because (a) either they commenced operations after January 3, 2022 or (b) they operate as non-traditional restaurants, which are operated differently than the restaurant for which we are currently granting franchises under this Disclosure Document. Chart 1 below reflects information the actual historical Average Unit Volume/AUV of 24 franchised Rusty Taco Restaurants that operate in a manner substantially similar to your Restaurant and were in operation for the entire 2022 Fiscal Year (the “2022 Restaurants”).

CHART 1 - ANNUAL AUVS FOR 2022 FISCAL YEAR

	Number of Restaurants	Average Unit Volume	#/% Exceeding Average	Highest AUV	Lowest AUV	Median AUV
2022 Restaurants	24	\$1,124,471	12 / 50%	\$1,912,625	\$617,984	\$1,079,183
Top Third	8	\$1,546,641	5 / 63%	\$1,912,625	\$1,222,982	\$1,576,322
Middle Third	8	\$1,058,713	4 / 50%	\$1,199,783	\$921,448	\$1,079,183
Bottom Third	8	\$768,059	4 / 50%	\$917,586	\$617,984	\$781,126

2021 Fiscal Year

As of the end of our 2021 Fiscal Year, there were 32 franchised Rusty Taco Restaurants. For purposes of the disclosures made in Chart 2 below, we have excluded we have excluded 4 out of 32 franchised Rusty Taco Restaurants because (a) either they commenced operations after January 4, 2021 or (b) they operate as non-traditional restaurants, which are operated differently than the restaurant for which we are currently granting franchises under this Disclosure Document. Chart 2 below reflects information the actual historical Average Unit Volume/AUV of 28 franchised Rusty Taco Restaurants that operate in a manner substantially similar to your Restaurant and were in operation for the entire 2022 Fiscal Year (the “2021 Restaurants”).

CHART 2 - ANNUAL AUVS FOR 2021 FISCAL YEAR

	# of Restaurants	Average Unit Volume	#/% Exceeding Average	Highest AUV	Lowest AUV	Median AUV
2021 Restaurants	28	\$1,099,722	12 / 43%	\$1,816,366	\$495,545	\$1,031,060
Top Third	9	\$1,561,858	4 / 44%	\$1,816,366	\$1,276,469	\$1,559,350
Middle Third	10	\$1,060,380	5 / 50%	\$1,274,104	\$963,914	\$1,031,060
Bottom Third	9	\$681,299	4 / 44%	\$881,478	\$495,545	\$644,345

2020 Fiscal Year

As of the end of our 2020 Fiscal Year, there were 30 franchised Rusty Taco Restaurants. For purposes of the disclosures made in Chart 3 below, we have excluded 9 out of 30 franchised Rusty Taco Restaurants because (a) either they commenced operations after December 30, 2019; (b) they operate as non-traditional restaurants, which are operated differently than the restaurant for which we are currently granting franchises under this Disclosure Document; or (c) they were owned by Predecessor’s affiliates for more than 9 months during the 2020 Fiscal Year. Chart 3 below reflects information the actual historical Average Unit

Volume/AUV of 21 franchised Rusty Taco Restaurants that operate in a manner substantially similar to your Restaurant and were in operation for the entire 2022 Fiscal Year (the “2020 Restaurants”).

CHART 3 – ANNUAL AUVS FOR 2020 FISCAL YEAR

	Number of Restaurants	Average Unit Volume	#/% Exceeding Average	Highest AUV	Lowest AUV	Median AUV
2020 Restaurants	21	\$954,086	9 / 43%	\$1,532,020	\$466,750	\$855,052
Top Third	7	\$1,333,716	3 / 43%	\$1,532,020	\$1,147,204	\$1,310,939
Middle Third	7	\$918,725	2 / 29%	\$1,126,796	\$809,302	\$855,052
Bottom Third	7	\$623,152	4 / 57%	\$745,333	\$466,750	\$641,212

Notes:

(1) 23 of the 2022 Restaurants, 27 of the 2021 Restaurants, and 20 of the 2020 Restaurants operated in suburban locations. 1 of the 2022 Restaurants, 1 of the 2021 Restaurants, and 1 of the 2020 Restaurants operated in an urban/metro market. 22 of the 2022 Restaurants, 23 of the 2021 Restaurants, and 19 of the 2020 Restaurants are in endcap spaces of retail shopping centers. 2 of the 2022 Restaurants, 4 of the 2021 Restaurants, and 2 of the 2020 Restaurants are in an in-line unit at a retail shopping center. None of the 2022 Restaurants, 1 of the 2021 Restaurants, and none of the 2020 Restaurants are stand-alone buildings on pad sites. The average length of time that the 2022 Restaurants have operated is 5 years, the average length of time that the 2021 Restaurants have operated is 4 years, and the average length of time that the 2020 Restaurants have operated is 4 years. The 2022 Restaurants, 2021 Restaurants, and 2020 Restaurants range in size from 1,828 to 3,470 square feet, with an average of 2,503 square feet for the 2022 Restaurants, 2,473 square feet for the 2021 Restaurants, and 2,366 square feet for the 2020 Restaurants.

(2) We calculated the figures in the tables above using information that franchisees provided. We have not independently audited or verified the information provided by the franchisees.

(3) Average Unit Volume is the average Gross Sales received by the Rusty Taco Restaurants in any given data set described above. “Gross Sales” means the total revenue attributable to and receipts from all services and products and all income of every other kind and nature related to Rusty Taco Restaurants, whether or not in compliance with Franchise Agreement including income related to catering operations and special events and the full value of meals provided to bona fide employees as a benefit of their employment (except franchisees may deduct from Gross Sales the value of any employee discounts that are given during the week in which the meals are provided), whether for cash or credit, barter or exchange, and regardless of collection in the case of credit. Gross Sales does not include (a) sales (or similar) taxes that are collected from customers of the restaurant and paid to the appropriate taxing authority, promotions, voids, and discounts; (b) proceeds from isolated sales of trade fixtures that are not part of the products and services offered at Rusty Taco Restaurants and that do not have any material effect on the operation of Rusty Taco Restaurants; (c) tips or gratuities that restaurant customers pay directly to the restaurant employees or owner; or (d) returns to shippers or manufacturers. Revenue from the purchase or redemption of gift certificates, gift cards, loyalty or similar programs is calculated as part of Gross Sales in accordance with our then-current guidelines for such programs. Gross Sales also includes all insurance proceeds you receive to replace revenue that franchisees lose from the interruption of the operation of their Rusty Taco Restaurant.

(4) 2022 Fiscal Year and 2021 Fiscal Year consisted of 52 weeks but our 2020 Fiscal Year consisted of 53 weeks. Therefore, in order to show an accurate year-over-year comparison of data disclosed above, Chart 3 excludes AUV data for the 53rd week of the 2020 Fiscal Year.

Some outlets have sold this amount. Your individual results may differ. There is no assurance you'll do as well. If you rely upon our figures, you must accept the risk of not doing as well.

Written substantiation of this information is available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations about a franchisee's future financial performance or the past financial performance of franchised outlets. 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 outlet, however, we may provide you with the actual records of that outlet. 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 its General Counsel, Perry Zamir, at 3191 Red Hill, Suite 200, Costa Mesa, CA 92626, or by phone at (310) 420-4000, as well as the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1
Systemwide Outlet Summary
For Years 2020 to 2022**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	25	30	+5
	2021	30	32	+2
	2022	32	33	+1
Company Owned	2020	9	4	-5
	2021	4	4	0
	2022	4	1	-3
Total Outlets	2020	34	34	0
	2021	34	36	+2
	2022	36	34	-2

1. The figures in Tables No. 1 to 4 of this Item 20 are as of the following fiscal year-end dates: January 1, 2023; January 2, 2022; and January 3, 2021.
2. Company-Owned includes outlets owned by our or our Predecessor's affiliates (as applicable).

**Table No. 2
Transfers of Outlets from Franchisee to New Owners (other than to Franchisor)
For Years 2020 to 2022**

State	Year	Number of Transfers
Iowa	2020	0
	2021	1
	2022	0
Totals	2020	0
	2021	1
	2022	0

Table No. 3
Status of Franchised Outlets For Years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Arizona	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
Colorado	2020	0	3	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	2	1
Georgia	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	1	0
Indiana	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
Iowa	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	1	1
Kansas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Minnesota	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
Nebraska	2020	3	1	0	0	0	1	3
	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
Nevada	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
New Mexico	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Ohio	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	1	3
Texas	2020	7	0	0	0	0	1	6
	2021	6	0	0	0	0	0	6
	2022	6	2	0	0	0	0	8
Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Totals	2020	25	7	0	0	0	2	30
	2021	30	2	0	0	0	0	32
	2022	32	7	0	0	0	6	33

Table No. 4
Status of Company-Owned Outlets For Years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Colorado	2020	4	0	0	1	3	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Texas	2020	5	0	0	1	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	3	0	1
Total	2020	9	0	0	2	3	4
	2021	4	0	0	0	0	4
	2022	4	0	0	3	0	1

Table No. 5
Projected Openings as of January 1, 2023

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Georgia	1	2	0
Idaho	1	1	0
Illinois	1	1	0
Nebraska	0	1	0
Texas	0	2	0
Utah	1	1	0
Virginia	2	1	0
Totals	6	9	0

Exhibit E reflects (i) the name of each of our franchisees and the address and telephone numbers of their Restaurants as of January 1, 2023, and (ii) the name, city, state, and current business (or if unknown, home) telephone number of the franchisees who has had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under its Franchise Agreement during the most recently completed fiscal year-end or who has not communicated with us within 10 weeks of this 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.

During the last three fiscal years, some current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise System.

There are no trademark specific franchisee associations that must be disclosed in this Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit A to this Disclosure Document are our (i) unaudited financial statements issued as of April 2, 2023, including the balance sheet and the income statement, and (ii) audited financial statements comprised of the balance sheet as of January 1, 2023 (the end of our 2022 fiscal year) and the related statements of operations, members' equity, and cash flows for the period from our inception to January 1, 2023. We have not been in business for 3 years and cannot include all financial statements required under the Federal Trade Commission's Franchise Rule (16 CFR § 436.5). Our fiscal year consists of a 52- or 53-week period ending on the last Sunday closest to December 31.

ITEM 22
CONTRACTS

This Disclosure Document includes a sample of the following contracts:

Development Agreement – Exhibit B
Franchise Agreement – Exhibit C
General Release State – Exhibit D
State Riders – Exhibit H
Representation & Acknowledgement Statement – Exhibit I

ITEM 23
RECEIPTS

Exhibit J of this Disclosure Document contains two copies of a detachable acknowledgment of receipt, one of which is for you and the other is to be signed by you and given to us.

EXHIBIT A

FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

Rusty Taco Franchising, LLC
Balance Sheet as of April 2, 2023

4/2/2023

ASSETS

Current Assets

Cash in Bank (Operating)		180,739.25
Cash in Bank (Money Market)		
Cash on Hand - Petty Cash		
Total Cash		180,739.25
Accounts Receivable		5,236.69
Accrued Receivable		
Total Accounts Receivable		5,236.69
Due to/ from Franchising		
Due to/from Parent		5,000.00
Due to/from Opco		21,057.24
Due to/from GCP		
Due to/from RT Gift Card		
Due to/from Adfund		
Due to/from MAG Services		(4,871.10)
Total Due to/from		21,186.14
Inventory-Wings		
Inventory-Cheese		
Inventory-Meats Burger		
Inventory-Chicken		
Inventory-Pork		
Inventory-Seafoods		
Inventory-Other Food		
Inventory-Appetizers		
Inventory-C.O.W		
Inventory-Desserts		
Inventory-Produce		
Inventory-Beverages		
Inventory-Beverages Bottled		
Inventory-Liquor		
Inventory-Bar Mix		
Total Inventory		-
Prepaid Expenses		-
Prepaid Insurance		41,832.46
Prepaid Income Taxes		
Total Current Assets		248,994.54

4/2/2023

Fixed Assets

Furniture/Fixtures/Equipment	
Signs & Menu Boards	
Kitchen Equipment/Installation	
Indoor Tables/Booths/Chairs	
Outdoor Tables/Chairs	
Plants	
Point Sale Install	
Communications Equipment	
Music System	
Paging System	
Window Coverings	
Lighting	
Computers	4,871.10
Equipment	
Leasehold Improvements	
Architect/Design	
Accumulated Depreciation	(324.76)
Total Fixed Assets	4,546.34

Other Assets

Lease Deposit	
Operating Lease Assets	
Note Receivable related Party	
Deposits	
Organization Costs	
Investment in Subsidiaries	
Intangible Asset - IP	
Goodwill	561,941.00
Branding	
Trademarks	
Cost to Obtain Contracts	
Accumulated Amortization	
Investment in Franchising	
Investment in Gift Card, LLC	
Investment in Opco	
Total Other Assets	561,941.00
TOTAL ASSETS	815,481.88

4/2/2023

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities

Accounts Payable	35,516.37
Accrued Expenses	13,269.22
Accrued Bonus	55,256.01
Accrued Vacation	1,361.57
Accrued Payroll	40,538.94
Accrued Property Taxes	-
Payroll Liabilities	1,167.01
Benefit Liabilities	-
Corp Credit Card	20,977.64
Bank Clearing Account & Suspense	(102,128.95)
Deferred Revenue	561,941.00
Accrued Annual Conference Expense	
Sales Tax Payable	
Franchise Tax Payable	
Gift Certificates Payable	
Total Current Liabilities	627,898.81

Non-Current Liabilities

Long Term Operating Lease Liabilities	
Total Non-Current Liabilities	-
TOTAL LIABILITIES	627,898.81

Shareholder's Equity

Purchase Price	
Capital from GCP	
Capital from MGMT	
Additional Paid-in Capital	400,000.00
Investment in FranCo	
Investment in Gift Card, LLC	
Investment in Opco	
Retained Earnings	(31,683.63)
Net Income/Loss	(180,733.30)
TOTAL SHAREHOLDER'S EQUITY	187,583.07

TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	815,481.88
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	January		February		March		YTD	
	\$	%	\$	%	\$	%	\$	%
Cash Over & Short								
Licenses/Dues/Fees								
Mystery Shoppers								
Public Relations								
Royalties								
Total Other Operating Expenses	0.	0.00%	0.	0.00%	0.	0.00%	0.	0.00%
Rent								
Percentage Rent								
CAM								
Property Taxes								
Amortization of ROU Asset								
Amortization of ROU Liability								
Total Occupancy Expenses	0.	0.00%	0.	0.00%	0.	0.00%	0.	0.00%
Total Restaurant Operating Expense	133,445.	122.72%	111,739.	112.35%	111,329.	111.07%	356,513.	115.59%
Accounting / Tax Fees	1,500.	1.38%	14,776.	14.86%	17,816.	17.77%	34,092.	11.05%
Payroll Processing Fees	144.	0.13%	278.	0.28%	291.	0.29%	713.	0.23%
Consultants								
Couriers, Postage, Fedex	0.	0.00%	4.	0.00%	357.	0.36%	361.	0.12%
Dues, Licenses, Memberships	0.	0.00%	175.	0.18%	0.	0.00%	175.	0.06%
Insurance	3,470.	3.19%	3,470.	3.49%	3,470.	3.46%	10,409.	3.37%
Legal	409.	0.38%	4,360.	4.38%	602.	0.60%	5,370.	1.74%
Meetings & Conferences								
Occupancy Costs								
Office Expenses	0.	0.00%	4,531.	4.56%	1,841.	1.84%	6,372.	2.07%
Recruiting and Training	172.	0.16%	0.	0.00%	0.	0.00%	172.	0.06%
Marketing & Advertising	0.	0.00%	4,726.	4.75%	4,605.	4.59%	9,331.	3.03%
Restaurant Supplies								
Repairs and Maintenance								
Telephone	490.	0.45%	490.	0.49%	490.	0.49%	1,470.	0.48%
Travel & Entertainment	1,229.	1.13%	9,063.	9.11%	12,628.	12.60%	22,919.	7.43%
Meals Entertainment	179.	0.16%	1,522.	1.53%	2,659.	2.65%	4,360.	1.41%
Opening Travel								
Penalties and Late Fees								
Miscellaneous Exp.								
Professional Fees	10,500.	9.66%	9,750.	9.80%	15,222.	15.19%	35,472.	11.50%
Bad Debt Expense								
Taxes and fillings	172.	0.16%	343.	0.35%	0.	0.00%	515.	0.17%
Research & Development	0.	0.00%	0.	0.00%	681.	0.68%	681.	0.22%
Gift Card Printing/Activation Fee								
Storage/ Warehouse Rental								
Bank Service Charges								
Other Expense (Income)								
Total General & Administrative	18,264.	16.80%	53,486.	53.78%	60,661.	60.52%	132,411.	42.93%
Total Operating Expense	151,709.	139.51%	165,226.	166.12%	171,990.	171.59%	488,924.	158.52%
EBITDA	(42,966.)	(39.51%)	(65,766.)	(66.12%)	(71,758.)	(71.59%)	(180,490.)	(58.52%)
Non-Operating Expense / Loss on Invsmt								
Franchise Tax								
Income Tax								
Management Fee	0.	0.00%	0.	0.00%	0.	0.00%	0.	0.00%
Depreciation & Amoritization	81.	0.07%	81.	0.08%	81.	0.08%	244.	0.08%
Debt Payments Capital leases								
Sublease Rent Expense								
Closed Stores Expense								
Net Income (Loss)	(43,047.)	(39.59%)	(65,847.)	(66.21%)	(71,839.)	(71.67%)	(180,733.)	(58.60%)

AUDITED FINANCIAL STATEMENTS

Rusty Taco Franchising, LLC

Financial Statements

January 1, 2023

Rusty Taco Franchising, LLC

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January 1, 2023

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Independent Auditors' Report

To the Member of
Rusty Taco Franchising, LLC

Opinion

We have audited the financial statements of Rusty Taco Franchising, LLC (the Company), which comprise the balance sheet as of January 1, 2023, and the related statements of operations and changes in member's equity and cash flows for the period from October 6, 2022 (inception) to January 1, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of January 1, 2023, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 audit. 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 within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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.

Baker Tilly US, LLP

Los Angeles, California
March 9, 2023

Rusty Taco Franchising, LLC

Balance Sheet
January 1, 2023

Assets

Current Assets

Cash	\$	372,469
Accounts receivable		<u>35,488</u>

Total current assets 407,957

Property and Equipment, Net

4,790

Goodwill

928,634

Total assets \$ 1,341,381

Liabilities and Member's Equity

Current Liabilities

Accounts payable and accrued expenses	\$	37,428
Deferred franchise fee revenue, current		62,058
Due to related parties		<u>10,003</u>

Total current liabilities 109,489

Deferred Franchise Fee Revenue, Long-Term

866,576

Total noncurrent liabilities 866,576

Total liabilities 976,065

Commitments and Contingencies (Note 6)

Member's Equity

365,316

Total liabilities and member's equity \$ 1,341,381

See notes to financial statements

Rusty Taco Franchising, LLC

Statements of Operations and Changes in Member's Equity
Period from October 6, 2022 (Inception) to January 1, 2023

Revenue

Royalty fee income \$ 35,488

Total revenue 35,488

Operating Expenses

Salaries, wages and benefits 54,001

General and administrative 16,171

Total operating expenses 70,172

Operating loss (34,684)

Net loss \$ (34,684)

Member's Equity, Beginning

\$ -

Member contribution 400,000

Net loss (34,684)

Member's Equity, Ending

\$ 365,316

See notes to financial statements

Rusty Taco Franchising, LLC

Statement of Cash Flows

Period from October 6, 2022 (Inception) to January 1, 2023

Cash Flows From Operating Activities

Net loss	\$ (34,684)
Adjustments to reconcile net loss to net cash provided used in operating activities:	
Depreciation expense	81
Change in operating assets and liabilities:	
Accounts receivable	(35,488)
Accounts payable and accrued expenses	<u>37,428</u>
Net cash used in operating activities	<u>(32,663)</u>

Cash Flows From Investing Activities

Purchase of property and equipment	<u>(4,871)</u>
Net cash used in investing activities	<u>(4,871)</u>

Cash Flows From Financing Activities

Member contributions	400,000
Due to related parties	<u>10,003</u>
Net cash provided by financing activities	<u>410,003</u>
Net change in cash and cash equivalents	372,469

Cash and Cash Equivalents, Beginning

-

Cash and Cash Equivalents, Ending

\$ 372,469

Noncash Investing and Financing Information

Goodwill recognized related to liabilities assumed from parent company	<u>\$ 928,634</u>
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Rusty Taco Franchising, LLC

Notes to Financial Statements

January 1, 2023

1. Organization and Description of Business

Rusty Taco Franchising, LLC (the Company), a Delaware limited liability company (LLC), was formed on October 6, 2022. The sole member of the Company is Rusty Taco Parent, LLC, a Delaware LLC (the Member).

The Company offers and sells franchises to operate restaurants under the Rusty Taco brand throughout the U.S. and internationally through a 99-year renewable trademark license agreement with its Member. The license agreement grants the Company a non-exclusive right to use the Rusty Taco trademarks and to license the trademarks to franchisees under franchise agreements. As of January 1, 2023, the Company has 33 franchise locations in operation, of which all are located in a total of twelve U.S. states (31 traditional and 1 non-traditional).

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company believes this information includes all adjustments, consisting of normal recurring accruals, necessary to fairly present the financial condition as of January 1, 2023. References to Accounting Standards Codification (ASC) and Accounting Standards Update (ASU) included hereinafter refers to the Accounting Standards Codification and Accounting Standards Update established by the Financial Accounting Standards Board as the source of authoritative U.S. GAAP.

Fiscal Year

The Company uses a fiscal year consisting of the 52 or 53-week period ending on the last Sunday closest to December 31. The fiscal period end date of the attached financial statements is January 1, 2023.

Use of Estimates

The preparation of the financial statements, in accordance with U.S. GAAP, requires that management makes certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet date. The actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of 90 days or less to be cash equivalents. As of January 1, 2023, the Company carried no cash equivalents.

Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts and consists of royalty fees collected from the Company's franchisees. On a periodic basis, the Company evaluates its accounts receivable balance and establishes an allowance for doubtful accounts, if required, based on a history of past write-offs and collections and current credit considerations. Management of the Company has determined there is no need for a reserve as of January 1, 2023.

Rusty Taco Franchising, LLC

Notes to Financial Statements

January 1, 2023

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years for equipment and the lesser of seven years or the life of the lease for leasehold improvements. The Company capitalizes assets with useful lives greater than one year and a value of more than \$1,000. Expenditures for major additions or improvements which extend the useful lives of assets are capitalized. Minor replacements, maintenance and repairs, which do not improve or extend the lives of the assets, are charged to operations as incurred. Disposals are removed at cost less accumulated depreciation, and any resulting gain or loss is reflected in current operations.

Goodwill

Goodwill represents the excess of costs over fair value of assets of the business acquired. In January 2014, the Financial Accounting Standards Board (FASB) issued guidance allowing private companies an accounting alternative for the subsequent measurement of goodwill. An entity within the scope of this guidance may elect to amortize goodwill on a straight-line basis over 10 years or less than 10 years if the entity demonstrates that another useful life is more appropriate. An entity that elects the accounting alternative is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill should be tested for impairment when a triggering event occurs that indicates that the fair value of an entity (or a reporting unit) may be below its carrying amount. Under this accounting alternative, the goodwill impairment amount, if any, would be the excess of the entity's (or the reporting unit's) carrying amount over its fair value. The Company elected to adopt this guidance and amortizes goodwill on a straight-line basis over 10 years and tests for impairment at the entity level when a triggering event occurs that indicates that the fair value of the entity may be below its carrying amount. For the period ended January 1, 2023, amortization expense related to goodwill was deemed insignificant to the financial statements as a whole. No impairment charges have been recorded by the Company for the period ended January 1, 2023.

Fair Value Measurements

The Company's financial instruments, none of which are held for trading purposes, include cash, accounts receivable, accounts payable and accrued expenses. Management estimates that the fair value of all financial instruments at January 1, 2023 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Revenue Recognition

The Company records revenue under ASC Topic 606, *Revenue From Contracts With Customers* (Topic 606), which requires revenue to be recorded as the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services. The Company recognizes initial franchise fees over the term of the contract which ranges from five years to ten years. Revenue related to the Company's franchise royalties is recorded when earned based upon the franchisee's sales.

Rusty Taco Franchising, LLC

Notes to Financial Statements

January 1, 2023

Franchise and Development Revenues

The franchise arrangement between the Company and each franchise owner of a Rusty Taco store is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the Rusty Taco brand and does not involve the direct transfer of goods and services to the franchise owner as a customer.

The transaction price in a standard franchise arrangement consists of (i) franchise/development fees and (ii) continuing franchise fees (royalties). Based upon the Company's analysis of stand-alone selling prices, the Company has allocated the entirety of the initial franchise fee to the use of franchise license under ASU No. 2021-02. Deferred revenue consists mainly of franchise and development fees paid in advance of the store opening, at which time amortization of the franchise fees begins.

Royalty Revenue

Royalty revenues are based on a percentage of sales and are recognized when both the food items are delivered to or carried out by customers and amounts are estimable based on monthly or yearly amounts as determined per the contract. Royalty fees amount to up to five percent of franchisee gross sales per year. Payments for domestic royalties are generally due and collected within two weeks of the month end date.

General and Administrative Expenses

The Company's general and administrative expenses consist of office supplies and related expenses, telephone and internet and bank/finance charges.

Income Taxes

As a single member LLC, the Company is considered a disregarded entity and the results of its operations will be filed with the Member's federal and state income tax returns. As such, the Company itself is typically not subject to an income tax liability as the taxable income or loss of the Company is passed through to Member. Therefore, no liability for federal income taxes has been included in the financial statements.

The Company accounts for uncertain tax positions in accordance with ASC No. 740. ASC No. 740 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties and required disclosures. The Company does not have any entity-level uncertain tax positions.

Recently Adopted Accounting Pronouncements

ASU No. 2017-04

During January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-04, *Simplifying the Test for Goodwill Impairment*. ASU No. 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. ASU No. 2017-04 (as amended) is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2022. There was no significant impact to the financial statements as a result of this adoption.

Rusty Taco Franchising, LLC

Notes to Financial Statements

January 1, 2023

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through March 9, 2023, which is the date the financial statements were available to be issued and concluded that there were no additional events or transactions that need to be disclosed.

3. Property and Equipment, Net

Property and equipment, net, consists of the following:

Computer equipment	\$	4,871
Less accumulated depreciation and amortization		<u>(81)</u>
Property and equipment, net	\$	<u>4,790</u>

Depreciation and amortization expense was \$81 at the period ended January 1, 2023.

4. Goodwill

In December 2022, the Company recognized \$928,634 in goodwill related to a deferred revenue liability account which was pushed down to the Company by its Member as a result of the Member's acquisition of Rusty Taco. For the period ended January 1, 2023, amortization expense was not significant to the financial statements as a whole.

5. Related-Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions, or if they are subject to common control or common significant influence. The significant related-party transactions consist of borrowings from, and payments to, affiliated companies. Due from related-party balances are as follows:

Due from affiliate	\$	6,784
Due to affiliate		<u>(16,787)</u>
Total	\$	<u>(10,003)</u>

Additionally, the Company recognized goodwill in connection with a related party transaction as described in Note 4.

Rusty Taco Franchising, LLC

Notes to Financial Statements

January 1, 2023

6. Commitments and Contingencies

Litigation

The Company from time to time may be involved in claims and legal proceedings in the ordinary course of its business. In the opinion of management, the Company is adequately insured against such claims and any ultimate liability arising from such proceedings will not have a material adverse effect on the financial condition, operations or cash flows of the Company.

7. Member's Equity

The Company's LLC operating agreement has a perpetual life. Excess cash flow, tax liability distributions and profits and losses are to be distributed to the Member in accordance with the operating agreement. The liability of the Company's Member is limited to the Member's specific capital balance. Upon liquidation of the Company, the net assets shall be distributed to the Member. During the period ended January 1, 2023, the Company's member made \$400,000 in contributions.

EXHIBIT B
DEVELOPMENT AGREEMENT



RUSTY TACO FRANCHISING, LLC
DEVELOPMENT AGREEMENT

**RUSTY TACO FRANCHISING, LLC
DEVELOPMENT AGREEMENT**

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ATTACHMENTS

Attachment A Data Sheet

RUSTY TACO FRANCHISING, LLC

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (“**Agreement**”) is made and entered into as of the Effective Date, by and between Rusty Taco Franchising, LLC, a Delaware limited liability company with its principal office at 3191 Red Hill Avenue, Suite 200, Costa Mesa, California 92626 (“**us**”), and the person or entity who signed this Agreement as Developer, as shown on the signature page below (“**you**”). The “Effective Date” is the date we sign this Agreement, as shown on the signature page below.

RECITALS

- A. We grant Franchises for the right to own and operate restaurants that are currently identified by and use the federally registered trademark *Rusty Taco*[®] and other Marks we designate from time to time, that are required to operate within our Standards, and that offer their customers authentic freshly prepared food made with quality, fresh ingredients inspired by the flavors of Mexico and Texas, along with an assortment of alcoholic and non-alcoholic beverages (each a “**Rusty Taco Restaurant**”).
- B. We also grant the right to acquire multiple franchises to persons or entities who we believe have the financial capability and experience, and are willing to commit those resources, to develop and operate multiple Rusty Taco Restaurants within a specific area and to open them in satisfaction of a development schedule (the “**Development Rights**”).
- C. Based on your own investigation and diligence, you have requested that we grant you the Development Rights for the Development Area described herein and, to support your request, you and, as applicable, your Owners have provided us with certain Application Materials. In reliance on, among other things, the Application Materials, we are willing to grant you the Development Rights on the terms contained in this Agreement.
- D. Terms used but not defined in this Agreement have the meanings given them in the Franchise Agreement that we and you or your Affiliate are executing concurrently with the execution of this Agreement (the “**First Franchise Agreement**”).

AGREEMENT

In consideration of the foregoing Recitals (which are incorporated herein), the promises contained in this Agreement, and other valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. GRANT; EXCLUSIVITY; EXERCISE OF DEVELOPMENT RIGHTS

1.1. **Grant of Development Rights.** We hereby grant you the Development Rights, which must be exercised in strict compliance with this Agreement. The Development Rights may be exercised from the Effective Date and, unless sooner terminated as provided herein, will expire on the later of (1) the opening of the last Rusty Taco Restaurant required to be open under the Development Schedule shown on the Data Sheet attached hereto as Attachment A (the “**Development Schedule**”) opens for regular business, or (2) the date by which the last such restaurant is required to be open in satisfaction of the Development Schedule (the “**Term**”). You accept the grant of the Development Rights and agree to, at all times, faithfully, honestly, and diligently perform your obligations under this Agreement and fully exploit the Development Rights during the Term and throughout the entire Development Area identified on the attached Data Sheet (the “**Development Area**”). You agree that any Non-Traditional Locations that become available during the Term and are located within the Development Area are deemed to be excluded from the Development Area unless we indicate otherwise on the Data Sheet attached as

Attachment A hereto. You further acknowledge and agree that this Agreement grants you no right or license to use any of the Marks. Your right to operate a Restaurant and your license to use the Marks is derived solely from the Franchise Agreements that you will enter into pursuant to this Agreement.

1.2. **Exercise of Development Rights.** You must perform all of your obligations under this Agreement, and you may not subcontract or delegate any of those obligations to any third parties. The Development Rights may only be exercised for Rusty Taco Restaurants to be located in the Development Area. To maintain your rights under this Agreement you must, among other things, satisfy the Development Schedule, as described in Section 1.3. Failure to do so will be grounds for either removal of the limitations on our activities as described in Section 1.6 or, at our option, a termination of this Agreement. Upon expiration or termination of this Agreement, the only territorial protection you will retain will be the Protected Territory granted under each then-existing Franchise Agreement between us and you or your Affiliates.

1.3. **Compliance with Development Schedule.** The Development Schedule is comprised of two (2) components: (i) a restaurant opening requirement (the “**Opening Requirement**”) with multiple interim periods (each a “**Development Period**”) and (ii) a Franchise Agreement execution requirement (the “**Contract Execution Requirement**”) based on agreed upon dates by which restaurants are projected to open (each a “**Projected Opening Date**”). Each Rusty Taco Restaurant you are required to open in satisfaction of the Development Schedule will be subject to a separate Franchise Agreement as described in Section 1.5. To satisfy the Opening Requirement, the minimum number of Rusty Taco Restaurants required to be open during and as of the end of each Development Period must be open and operating, each in accordance with its Franchise Agreement. To satisfy the Contract Execution Requirement, you or your approved Affiliate must execute a Franchise Agreement for each Restaurant at or prior to the applicable execution date set forth in the Development Schedule, which must be a date no later than 180 days prior to the Projected Opening Date for the applicable Restaurant. The Development Schedule is not our representation, express or implied, that the Development Area can support, or that there are or will be sufficient sites for, the number of Rusty Taco Restaurants specified in the Development Schedule or during any particular Development Period. We are relying on your knowledge and expertise of the Development Area and your representation that you have conducted your own independent investigation and have determined that you can satisfy the development obligations under each Development Period of the Development Schedule.

1.4. **Locating Sites for Your Rusty Taco Restaurants.** Despite any assistance we may provide, you are entirely responsible for locating and presenting to us proposed sites for Rusty Taco Restaurants in the Development Area as necessary to comply with the Development Schedule (each a “**Site**”). You agree to give us all information and materials we request to assess each proposed Site as well as your or your proposed Affiliate’s financial and operational ability to develop and operate a Rusty Taco Restaurant at the proposed Site. We have the absolute right to reject any proposed Site or any Affiliate (a) that does not meet our criteria or (b) if you or your Affiliates are not then in compliance with any existing Franchise Agreements executed pursuant to this Agreement or operating your or their Rusty Taco Restaurants in compliance with our mandatory Standards. We agree to use our reasonable efforts to review and evaluate your proposed Sites within 30 days after we receive all requested information and materials. If we accept a proposed Site, you or your approved Affiliate must sign a separate Franchise Agreement for the Site within 15 days after we provide you with an execution copy of the Franchise Agreement, failing which, we may withdraw our acceptance. Our approval of any proposed Site is entirely for our own purposes and, by approving your Site, we are not representing or guaranteeing that it will perform as you or we expect it to do. We are not responsible if the Site we recommend or approve fails to meet your expectations.

1.5. **Execution of Franchise Agreements.** When you sign this Agreement, you or your Affiliate will also sign the Franchise Agreement and related documents for the 1st Rusty Taco Restaurant you are obligated to open in satisfaction of the Development Schedule. For the 2nd and each subsequent Rusty Taco Restaurant you are obligated to open under the Development Schedule, you or your Affiliates must sign our then-current form of Franchise Agreement and related documents after we have accepted a Site, and prior to you signing a lease or

otherwise securing possession of the Site. The terms of any future forms of Franchise Agreements may differ substantially from the terms contained in the form of Franchise Agreement we are using to grant Franchises on the Effective Date, except that the Initial Franchise Fee due under each such agreement will be the amount shown on Attachment A hereto. Each Franchise Agreement will govern the development and operation of the Rusty Taco Restaurant at the accepted Site identified therein. You are not entitled, and we are not required, to execute more than the number of Franchisee Agreements necessary to satisfy the Development Schedule.

1.6. **Agreement Regarding Limitation of Our Activities in the Development Area; Reservation of Rights.** Subject to your and, as applicable, your Affiliates' full compliance with this Agreement, all Franchise Agreements executed pursuant to this Agreement, and any other agreement between you or your Affiliates and us or our Affiliates, and subject to the retained rights described in this Section, neither we nor any of our Affiliates shall establish, or authorize any person or entity other than you or any of your Affiliates to establish, a Rusty Taco Restaurant in the Development Area during the Term. Notwithstanding the foregoing, you expressly agree that we and our Affiliates retain, without compensation to you, all such rights and all other rights that are not expressly granted to you in this Agreement and that we do not expressly agree to refrain from doing, including the right:

1.6.1. to develop, establish and acquire or be acquired by other business systems, including other restaurant systems, using the Marks (at those locations that fall outside your Development Area), or other names or marks, and to grant licenses to use those systems without providing any rights to you;

1.6.2. to advertise and promote the System in the Development Area;

1.6.3. to operate, and license others to operate, Rusty Taco® Restaurants in any Non-Traditional Location (defined below), including within the Development Area; and

1.6.4. except as otherwise expressly prohibited herein, to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license, and sale of any and all food, beverages, or other services and products, under the Marks, or under other names or marks, within and outside the Development Area, through any method of distribution, including, but not limited to, mail order catalogs, the Internet, and other permanent, temporary or seasonal food service facilities, carts, food trucks, or kiosks (which facilities may provide, in whole or in part, the products and services offered by a Rusty Taco Restaurant) regardless of the proximity to, or the competitive impact on, your operations in the Development Area.

2. FEES

2.1. **Development Fee.** Upon execution of this Agreement, you shall pay us a Development Fee in the amount set forth in Attachment A ("**Development Fee**"). The Development Fee is fully earned by us when paid and is not refundable, in whole or in part, under any circumstances. We will apply a portion of the Development Fee toward payment of 100% of the Initial Franchise Fee due under the First Franchise Agreement. For each subsequent Franchise Agreement signed pursuant to this Agreement, we will apply the Development Fee, in increments equal to 50% of the Initial Franchise Fee due under each such agreement, subject to a maximum credit, in the aggregate, equal to the Development Fee. No unused portion of the Development Fee as of expiration or termination of this Agreement will be refunded or credited to any other amount owed to us or our Affiliates.

3. OUR RIGHT NOT TO ISSUE OR SIGN FRANCHISE AGREEMENTS OR DELAY OPENINGS

3.1. **Satisfaction of Conditions.** For each Franchise Agreement after the 1st one that you are required to execute under this Agreement, you shall submit to us a request for Franchise Agreement on our standard form, and provide us with all information we request in order to evaluate your request. If you intend to have an Affiliate sign the requested Franchise Agreement, you must also provide us with information we request regarding the proposed Affiliate and its Owners. We need not issue a Franchise Agreement if you or your Owners do not meet

our then-current operational, financial, and legal standards, qualifications, and conditions for new Rusty Taco Restaurant owners (the “**Conditions**”), as follows:

3.1.1. **Operational Conditions**: You must be in compliance with the Development Schedule and this Agreement, and you or your Affiliates must be in compliance with any other agreement with us or our Affiliates. You and your Affiliates must be operating your and their existing Rusty Taco Restaurants, if any, and be capable, in our determination, of developing and operating the proposed Restaurant in accordance with its Franchise Agreement.

3.1.2. **Financial Conditions**: You or your Affiliate and your or their Owners, as applicable, must demonstrate, to our reasonable satisfaction, that you and they satisfy our then-current financial criteria for developers and Owners of Rusty Taco Restaurants. You and your Affiliates and your or their Owners, as applicable, must have been and are faithfully performing all terms and conditions under each of their existing Franchise Agreements with us. You and your Affiliates must not then be in default, and must not have been in default during the rolling 12 months preceding your request for the Franchise Agreement, of any monetary obligations owed to us or our Affiliates under any agreement with us or our Affiliates. You acknowledge and agree that it is vital to our interests that each of our franchisees be financially sound to avoid failure of a Rusty Taco Restaurant and that such failure would adversely affect the reputation and goodwill associated with the Marks and System.

3.1.3. **Legal Conditions**: If you intend the Franchise Agreement to be executed by your Affiliate, you must have provided us with a list of, and applications from, each of its Owners, a list of the percentage ownership held by each Owner, and copies of its as-filed articles of formation, its governing documents, and resolutions establishing the authority of the individual who will be signing the Franchise Agreement on behalf of the Affiliate. In addition, you must have submitted to us, in a timely manner, all other information and documents we request as a basis for the issuance of the requested Franchise Agreement.

3.2. **Our Right to Delay Additional Openings**. We may delay the development and/or opening of additional Rusty Taco Restaurants within the Development Area for the time period we deem best if we believe, in our sole judgment, when you submit your application for another Franchise or after you have developed and constructed but not yet opened a particular Rusty Taco Restaurant, that you or your Affiliate, as applicable, is not yet operationally, managerially, or otherwise prepared (no matter the reason) to develop, open, and/or operate the additional Rusty Taco Restaurant in full compliance with our Standards. The period of delay under this Section will not, in our reasonable opinion, cause you to breach your development obligations under the Development Schedule (unless we are willing to extend the Development Schedule proportionately to account for the delay).

3.3. **Closures and Relocations**. If a Rusty Taco Restaurant you or your Affiliate developed under a Franchise Agreement signed pursuant to this Agreement is closed with our approval in accordance with the applicable Franchise Agreement, you must develop a replacement Rusty Taco Restaurant in order to comply with your obligations under this Agreement. To count toward the Opening Requirements for the Development Period in which the Rusty Taco Restaurant closed, you must re-open the closed restaurant, either at its original location or at another location we approve, within a reasonable time (not to exceed 120 days) after you ceased operation of the closed restaurant. If, during the Term of this Agreement, you sell or transfer a Rusty Taco Restaurant in accordance with the terms of the applicable Franchise Agreement, the transferred restaurant will continue to be counted in determining whether you have complied with the Development Schedule so long as it continues to be operated as a Rusty Taco Restaurant. If the transferred restaurant ceases to be operated as a Rusty Taco Restaurant during the Term of this Agreement, you shall develop a replacement Restaurant within a reasonable time (not to exceed 120 days) thereafter.

4. DEVELOPER'S OBLIGATIONS

4.1. **Satisfaction of Development Schedule.** You agree to comply with the Development Schedule, including the Opening Requirements for each Development Period and the Contract Execution Requirements for each Projected Opening Date.

4.2. **Compliance with Applicable Laws.** You shall fully comply with all Applicable Laws when exercising the Development Rights and fulfilling your obligations under this Agreement. It is your sole responsibility to apprise yourself of the existence and requirements of all such requirements and to adhere to them at all times during the Term of this Agreement.

4.3. **Nondisclosure of Confidential Information.** You acknowledge that, under the First Franchise Agreement, you and your Owners bound yourselves to certain restrictions and obligations related to the protection, use and disclosure of Confidential Information. You hereby affirm those obligations (which are adopted and incorporated herein as though copied in their entirety) and, subject to your compliance with those obligations, you may use the Confidential Information to perform your obligations under this Agreement.

4.4. **Noncompetition.** You acknowledge that, under the First Franchise Agreement, you and your Owners bound yourselves to certain covenants regarding solicitation and involvement with Competitive Businesses. You hereby affirm those obligations (which are adopted and incorporated herein as though copied in their entirety) and acknowledge and agree that (i) those obligations that apply during the term of the First Franchise Agreement will also apply during the Term of this Agreement, and (ii) those obligations that apply on expiration or termination of the First Franchise Agreement or on transfer of your or your Owners' interests in the franchise under that agreement will also apply on expiration or termination of this Agreement or transfer of your Owners' transfer of their interests in you under this Agreement, except that the geographic area to which the post-term or post-transfer obligations apply will be limited under this Agreement to the Development Area.

5. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

5.1. **Independent Contractor.** The activities you conduct under this Agreement will be conducted as an independent contractor. Nothing contained in this Agreement will create or be construed to create a partnership, joint venture, agency or employment relationship between the parties. Neither party has any fiduciary obligations to the other or is liable for the debts or obligations of the other. Neither party shall have the right to bind the other, transact business in the other party's name, or in any manner make any promises or representations on behalf of the other party, unless otherwise agreed in writing by the parties. We do not participate in the hiring, promoting, disciplining, or discharging of your employees or in setting or paying wages or benefits to your employees, and you acknowledge that we have no power, responsibility, or liability in respect to the hiring, promoting, disciplining, or discharging of employees or in setting or paying their wages. You shall conspicuously identify yourself and the business contemplated under this Agreement in all dealings with your employees, customers, contractors, suppliers, public officials, and others, as an entity separate and apart from us and do nothing to imply that you are acting on our behalf as you conduct your activities. Additionally, you must communicate to all employees that you, not us, are their employer; and you must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or our name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

5.2. **Indemnification.** You shall indemnify and hold harmless to the fullest extent permitted by law, us, our Affiliates and our and their respective directors, officers, employees, owners, agents, successors and assigns (collectively, "**Indemnitees**") from any and all "**losses and expenses**" incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly

from, as a result of, or in connection with any agreement between you and a third party, the training you and your personnel receive from us, your employment or other relationship with your employees, contractors, or other third parties, or your operation of, or failure to operate, the Restaurant including, but not limited to, claims arising as a result of the maintenance and operation of vehicles or the Location (collectively, “**event**”), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity will not apply as to an Indemnitee in respect of any losses and expenses arising from the gross negligence of such Indemnitee (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement will extend to any finding of comparative negligence or contributory negligence attributable to you). For the purpose of this Section 11.3., the term “**losses and expenses**” will be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Under no circumstances will an Indemnitee be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under this provision, and its failure to seek such recovery or mitigate its losses and expenses will in no way reduce the amounts recoverable by such Indemnitee under this provision. You must give us prompt notice of any event of which you are aware, for which indemnification is required, and, at your expense and risk, we may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that we will seek your advice and counsel. Any assumption by us will not modify your indemnification obligation. We may, in our sole and absolute discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in our sole and absolute discretion, necessary for the protection of the Indemnitees or the System. This provision survives termination or expiration of this Agreement, regardless of the reason for expiration or termination.

6. TRANSFERS

6.1. **Transfer by Us.** We and our Owners have the same rights under this Agreement to freely engage in a Transfer that we and they have under the First Franchise Agreement. All such provisions are adopted and incorporated herein as though copied in their entirety.

6.2. **Transfer by Developer.** Your rights and duties under this Agreement are personal to you (or your Owners), and we have granted you the Development Rights in reliance upon our assessment of your (or your Owners’) individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, you may not engage in a Transfer in respect of this Agreement. Your Owners may not engage in a Transfer of their interests in you without our prior written consent, which we may withhold or condition in our sole discretion.

7. DEFAULT AND TERMINATION

7.1. **Termination In the Event of Bankruptcy or Insolvency.** You shall be deemed to be in default under this Agreement, and we may terminate this Agreement immediately upon notice, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed and against you and you do not oppose it; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver for you or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if judicial, non-judicial or administrative proceedings to foreclose any lien or mortgage against premises or assets or equipment of a Rusty Taco Restaurant you or your Affiliates own is instituted against you and not dismissed within 30 days; or if the real or personal property of the Rusty Taco Restaurant you or your Affiliates own is sold after levy thereupon by any sheriff, marshal, or constable.

7.2. **Termination With Notice and Without Opportunity to Cure.** We have the right to terminate this Agreement, which termination will become effective upon delivery of notice without opportunity to cure if: (a) you fail to adhere to the Development Schedule; (b) you or any Owner is convicted of, or pleads no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System; (c) there is any Transfer or attempted Transfer in violation of Section 6.2 of this Agreement; (d) you or any Owner fails to comply with the confidentiality or noncompetition covenants in Sections 4.3 and 4.4 of this Agreement; (e) you or any Owner has made any material misrepresentations in the Application Materials or otherwise in connection with your application for Development Rights; (f) we deliver to you three or more written notices of default pursuant to this Article 7 within any rolling 12-month period, whether or not the defaults described in such notices ultimately are cured; (g) if you are an individual, in the event of your death or permanent Incapacity; or (h) you terminate, without cause, any Franchise Agreement signed pursuant to this Agreement or we terminate any such Franchise Agreement based on your breach.

7.3. **Termination With 10-Day Cure Period.** We have the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure the following defaults within 10 days after delivery of written notice: (a) failure to pay any amounts due to us; (b) failure to pay any amounts due to your trade creditors (unless such amount is subject to a bona fide dispute); or (c) failure to pay any amounts for which we have advanced funds for or on your behalf, or upon which we are acting as guarantor of your obligations.

7.4. **Termination With 30-Day Cure Period.** Except as otherwise provided in this Article 7, we have the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure any curable default within 30 days after delivery of written notice.

7.5. **Cross-Default.** Any default under any agreement between you or your Affiliates and us or our Affiliates, which you or your Affiliates, as applicable, fail to cure within any applicable cure period, will be considered a default under this Agreement and will provide an independent basis for termination of this Agreement.

7.6. **Additional Remedies.** If you are in default of this Agreement, we may, in our sole discretion, elect to reduce the number of Rusty Taco Restaurants which you may establish pursuant to the Development Schedule or reduce the size of your Development Area. If we elect to exercise this remedy as set forth above, you agree to continue to develop Rusty Taco Restaurants in accordance with your rights and obligations under this Agreement, as modified. Our exercise of the remedy under this Section 7.6 will not constitute our waiver of our right to terminate this Agreement at any time with respect to a subsequent event of default of a similar or different nature.

7.7. **Effect of Termination or Expiration.** Upon termination or expiration of this Agreement, you shall have no further right to acquire any additional Franchises or to develop any Rusty Taco Restaurants for which a Franchise Agreement has not been signed. Termination or expiration of this Agreement will not affect any rights or obligations under any then-existing Franchise Agreement.

8. REPRESENTATIONS

8.1. **Our Representations.** We represent and warrant that: (a) we are duly organized and validly existing under the law of the state of our formation; (b) we are duly qualified and authorized to do business in each jurisdiction in which our business activities or the nature of the properties we own requires such qualification; and (c) the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within our corporate power and have been duly authorized.

8.2. **Representations of Developer.** You represent and warrant to us that:

8.2.1. the ownership information set forth in Attachment A is accurate and complete in all material respects, and you will notify us in writing prior to any change in such information;

8.2.2. (a) you are duly organized and validly existing under the law of the state of your formation; (b) you are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification; (c) your organizational charter and governing documents will at all times provide that your activities are confined exclusively to the activities described here and, if applicable, the operation of Rusty Taco Restaurants under Franchise Agreements executed pursuant to this Agreement; (d) neither you nor any of your Affiliates or Owners own, operate, or have any financial or beneficial interest in any business in Competitive Business; and (e) the execution of this Agreement and the performance of the transactions contemplated by this Agreement are permitted under your charter and governing documents;

8.2.3. you have conducted an independent investigation of the franchise opportunity and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent on your ability as an independent business person; and

8.2.4. neither you nor your Owners, officers, directors, managers, partners, agents, or employees, or their respective interests therein is now and will not be, during the Term, (a) identified, either by name or an alias, pseudonym, or nickname, on any of the lists of restricted or denied parties maintained by the United States government, or (b) in violation of any law prohibiting money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (<http://epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (<http://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.pdf>), or any similar law.

9. **NOTICES**

9.1. **Notices.** All written notices, reports, and payments permitted or required to be delivered by this Agreement will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (i) at the time delivered by hand, (ii) at the time delivered via computer transmission and, in the case of the Royalty Fees, Fund contributions, and other amounts due, at the time we actually receive electronic payment, or (iii) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery. Notices must be sent to you as shown on the attached Data Sheet or the most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable during the Term to send notices to you at the address of the Restaurant. Notices to us must be sent to the address shown on the first page of this Agreement, Attention: President, with a copy (which shall not constitute notice) to Legal Department.

10. **CONSTRUCTION OF AGREEMENT**

10.1. **Entire Agreement.** This Agreement, and any other agreements executed by the parties concurrently with the parties' execution of this Agreement, represents the entire fully integrated agreement between the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written. Notwithstanding the foregoing, nothing in this Agreement will disclaim or require you to waive reliance on any representation that we made in the franchise disclosure document (including its exhibits and amendments) that we delivered to you in connection with this franchise offering. Except for those changes permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to in writing by the parties and executed by their authorized officers or agents.

The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in California, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Virginia, or Wisconsin: 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.

10.2. **No Waiver.** No delay, waiver, omission, or forbearance on our part to exercise any right, options, duty, or power arising out of any breach or default by you or any of you Owners under this Agreement will constitute our waiver to enforce any such right, option, duty, or power against you or your Owners, or as to a subsequent breach or default by you or any of your Owners.

10.3. **Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement.

10.4. **Survival of Terms.** Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement will survive such expiration or termination.

10.5. **Captions.** All captions in this Agreement are intended for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision of this Agreement.

10.6. **Persons Bound.** This Agreement will be binding on the parties and their respective successors and assigns.

10.7. **Rules of Construction.** Neither this Agreement nor any uncertainty or ambiguity in this Agreement will be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. Terms used in this Agreement will be construed and interpreted according to their ordinary meaning. If any provision of this Agreement is susceptible to two or more meanings, one of which would render the provision enforceable and the other(s) which would render the provision unenforceable, the provision will be given the meaning that renders it enforceable.

References in the Agreement to “we,” “us,” and “our” include any of our Affiliates with whom you deal. The term “Affiliate” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. “Control” means the power to direct or cause the direction of management and policies. “Including” means “including, without limitation.”

If two or more persons are at any time the owners of the Franchise and your Restaurant, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “owner” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of the Agreement and your Restaurant or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), the Agreement, the Franchise, or your Restaurant and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to an “ownership interest” in you or one of your owners (if you are not a natural person) mean the percent of the voting shares or other voting rights that results from dividing 100% of the ownership interests by the number of owners. “Person” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

10.8. **Business Judgment.** Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy such obligations whenever we exercise reasonable

business judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available.

10.9. **Remedies Cumulative.** All rights and remedies of the parties to this Agreement are cumulative and not alternative or in addition to and are not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure, or default or threatened breach, failure, or default of any term, provision, or condition of this Agreement or any other agreement between you and any of your Affiliates and us and any of our Affiliates. The rights and remedies of the parties to this Agreement will be continuing and will not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of our rights pursuant to Article 7 of this Agreement will not discharge or release you or any of your Owners from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement. Additionally, you and your Owners will pay all courts costs and reasonable attorneys' fees and costs we incur in obtaining any remedy available to us for any violation of this Agreement.

10.10. **No Third-Party Beneficiary.** Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer rights to or upon any person or legal entity who is not a party to this Agreement.

10.11. **No Liability for Related Parties.** You agree that none of our past, present, or future directors, officers, employees, incorporators, members, partners, stockholders, subsidiaries, Affiliates, controlling parties, entities under common control, ownership, or management, vendors, service providers, agents, attorneys, or representatives will have or will have any liability for: (a) any of our obligations or liabilities relating to or arising from this Agreement; (b) any claim against us based on, in respect of, or by reason of, the relationship between you and us; or (c) any claim against us based on any of our alleged, unlawful acts or omissions.

10.12. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute one agreement.

11. APPLICABLE LAW; DISPUTES

11.1. **Choice of Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*) or other federal law, this Agreement will be governed by and construed in accordance with the laws of the State of Delaware without regard to its conflict of law rules, except that any law regulating the offer or sale of franchises, business opportunities, or similar interests or governing the relationship between you and us will not apply unless its jurisdictional requirements are met independently without reference to this Section.

11.2. **Requirement to Submit Disputes to Arbitration.** We and you agree that all controversies, disputes, or claims between us or any of our Affiliates, and our and their respective owners, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to:

- (a) this Agreement or any other agreement between you (or any of your owners) and us (or any of our Affiliates);
- (b) our relationship with you;

(c) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our Affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 11.3, which we and you acknowledge is to be determined by an arbitrator, not a court); or

(d) any System Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA’s then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our or, as applicable, our successor’s or assign’s then current principal place of business (currently, Costa Mesa, California). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator’s awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in an award any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys’ fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys’ fees and costs.

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING, (III) JOINED WITH ANY SEPARATE CLAIM OF AN UNAFFILIATED THIRD PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENCY. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of the Agreements.

We and you agree that, in any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case’s outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as “all documents directly or indirectly related to.” You and we further agree that no interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use.

The provisions of this Section are intended to benefit and bind certain third-party non-signatories.

The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of the Agreement.

Any provisions of this Article 11 that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

11.3. **Nonexclusivity of Remedy.** No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

11.4. **Waiver of Jury Trial.** We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us against the other, whether or not there are other parties in such action or proceeding.

11.5. **Waiver of Punitive Damages.** The parties hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it. **Right to Injunctive Relief.** Nothing contained in this Agreement will bar our right to seek injunctive relief from any court of competent jurisdiction; and you agree to pay all costs and reasonable attorneys' fees we incur in obtaining such relief.

11.7. **Attorneys' Fees.** If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

11.8. **Limitation of Claims.** You and your owners agree not to bring any claim asserting that any of the Marks are generic or otherwise invalid. 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 THE AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THE AGREEMENT 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 CLAIMS. The parties understand that such time limit might be shorter than otherwise allowed by law. You and your owners agree that your and their sole recourse for claims arising between the parties shall be against us or our successors and assigns. You and your owners agree that our and our Affiliates' members, managers, shareholders, directors, officers, employees, and agents shall not be personally liable nor named as a party in any action between us or our Affiliates and you or your owners. No previous course of dealing shall be admissible to explain, modify, or contradict the terms of the Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of the Agreement.

WE AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

11.9. **Consent to Jurisdiction.** Subject to Section 11.2 above and the provisions below, we and you agree that all controversies, disputes, or claims between us or any of our affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or our relationship with you must be commenced exclusively in state or federal court closest to our (or our successor's or assign's, as applicable) then-current principal place of business (currently, Costa Mesa, California), and the parties irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, the parties agree that any of us may enforce any arbitration orders and awards in the courts of the state or states in which you are or the Development Area is located

[Signature Page to Follow]

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

RUSTY TACO FRANCHISING, LLC

By: _____
Name: _____
Title: _____
Date: _____

*This is the Effective Date

[DEVELOPER]

By: _____
Name: _____
Title: _____
Date: _____

**RUSTY TACO FRANCHISING, LLC
DEVELOPMENT AGREEMENT**

**ATTACHMENT A
DATA SHEET**

1. Effective Date of Agreement: _____

2. Developer:

Name:	
Address:	
Attention:	
Email Address:	
Phone:	
Type of Entity:	
Date of Formation:	
State of Formation:	

3. Developer's Owners [Section 8.2.1]:

Name	Address	Type of Interest	Percentage Held

4. Development Fee [Section 1.1]: \$_____

5. Initial Franchise Fee [Section 1.5]: \$25,000

6. Development Area [Section 1.1]:

[insert map or description]

7. Development Schedule [Section 1.1]:

Opening Requirements:

Development Period	Expiration Date of Development Period	Cumulative Total Number of Restaurants Located in the Development Area Which Developer Shall Have Open and in Operation
1		
2		

Projected Opening Dates:

Restaurant	Projected Opening Date	Franchise Agreement Execution Date

8. **Additional Terms or Modifications to the Agreement.** The following terms, if any, supplement or amend the provisions of the Agreement and will control in the event of any conflicts:

[insert as applicable]

RUSTY TACO FRANCHISING, LLC

By: _____
 Name: _____
 Title: _____
 Date: _____

[DEVELOPER]

By: _____
 Name: _____
 Title: _____
 Date: _____

EXHIBIT C

FRANCHISE AGREEMENT



**RUSTY TACO FRANCHISING, LLC
FRANCHISE AGREEMENT**

**RUSTY TACO FRANCHISING, LLC
FRANCHISE AGREEMENT**

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Attachments

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RUSTY TACO FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“**Agreement**”) is made effective as of the Effective Date by and between Rusty Taco Franchising, LLC, a Delaware limited liability company with its principal office at 3191 Red Hill Avenue, Suite 200, Costa Mesa, California 92626 (“**us**”), and the person or entity who signed this Agreement as Franchisee, as shown on the signature page below (“**you**”). The “Effective Date” is the date we sign this Agreement, as shown on the signature page below.

RECITALS

- A. We grant Franchises for the right to own and operate restaurants that are currently identified by and use the federally registered trademark Rusty Taco[®] and other Marks we designate from time to time, that are required to operate within our Standards, and that offer their customers authentic freshly prepared food made with quality, fresh ingredients inspired by the flavors of Mexico and Texas, along with an assortment of alcoholic and non-alcoholic beverages (each a “**Rusty Taco Restaurant**”).
- B. Based on your own investigation and diligence, you have requested that we grant you a Franchise and, to support your request, you and, as applicable, your owners have provided us with certain Application Materials. In reliance on, among other things, your Application Materials, we are willing to grant you the Franchise on the terms and conditions contained in this Agreement.
- C. Certain terms are defined where used in this Agreement and others are defined on Attachment B (Additional Terms) hereto.

AGREEMENT

In consideration of the foregoing Recitals (which are incorporated herein), the promises contained in this Agreement, and other valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **GRANT**

- 1.1. **Grant of Franchise.** We grant you the Franchise, during the Term, to develop, own, and operate a Rusty Taco Restaurant (the “**Restaurant**”) solely at the location and premises identified (or to be identified) in Attachment A (the “**Location**”) and in strict compliance with our Standards and this Agreement. You agree to conduct the business of your Restaurant only at the Location and within the catering and delivery areas that, in our discretion, we may designate from time to time, and to use the Location only for your Restaurant. Once your Restaurant opens for business, you agree to continuously operate it in accordance with this Agreement for the duration of the Term.
- 1.2. **Protected Territory.** Subject to the reservation of rights described in Section 1.3 below and your compliance with this Agreement, we will not operate or authorize any other party to operate, during the Term, a Rusty Taco Restaurant physically located within the Protected Territory.
- 1.3. **Reservation of Rights.** You agree that this Agreement does not grant you the right, and you agree not, to co-brand with any other concept, to sublicense any part of the rights granted to you under this Agreement, to delegate performance of any obligations you undertake in this Agreement, to ship Rusty Taco[®] branded products, regardless of the destination, or to distribute Rusty Taco[®] branded products through wholesale channels, or retailers such as supermarkets, convenience stores, or other retailers, or through food service providers. You expressly agree that we and our Affiliates retain, without compensation to you, all such rights and all other rights that are not expressly granted to you in this

Agreement and that we do not expressly agree to refrain from doing, including the right:

1.3.1. to develop, establish and acquire or be acquired by other business systems, including other restaurant systems, using the Marks (at those locations that fall outside your Protected Territory), or other names or marks, and to grant licenses to use those systems without providing any rights to you;

1.3.2. to advertise and promote the System in the Protected Territory;

1.3.3. to operate, and license others to operate, Rusty Taco® Restaurants in any Non-Traditional Location (defined below), including within the Protected Territory; and

1.3.4. except as otherwise expressly prohibited herein, to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license, and sale of any and all food, beverages, or other services and products, under the Marks, or under other names or marks, within and outside the Protected Territory, through any method of distribution, including, but not limited to, mail order catalogs, the Internet, and other permanent, temporary or seasonal food service facilities, carts, food trucks, or kiosks (which facilities may provide, in whole or in part, the products and services offered by a Rusty Taco Restaurant) regardless of the proximity to, or the competitive impact on, your operations in the Protected Territory.

2. RENEWAL

2.1. **Renewal.** You may renew the Franchise for one (1) continuous 10-year term if, at the end of the Term, each of the following conditions has been satisfied: (a) you have notified us of your desire to renew the Franchise no less than 12 months and no more than 24 months before the end of the Term; (b) you are not in default of any material provision of this Agreement and you have complied with the material terms and conditions of this Agreement throughout the Term; (c) all amounts owed to us and our Affiliates and third-party suppliers to your Restaurant have been paid; (d) the Restaurant has been renovated and refurbished so that it reflects all then-current Standards; (e) you have the right to remain in possession of the Location, or have secured an alternate site with our prior written approval; (f) you comply with our then-current qualifications and training requirements; (g) you sign our then-current form of Franchise Agreement, the terms of which may be materially different than the terms of this Agreement, including but not limited to royalty and advertising fees and contribution requirements, and each Owner executes a personal guaranty and undertaking in the form we prescribe; (h) you and each Owner sign a general and full release in favor of us, and our Affiliates and our and their respective, officers, directors, owners, managers, employees, and agents, of all claims you and your Owners may then have; and (i) you pay a renewal fee, in an amount equal to 50% of the initial franchise fee we are then charging for the purchase of a Franchise. Additional renewals will be at our sole discretion.

2.2. **Extension of this Agreement.** If you continue to accept the benefits of this Agreement after the expiration of the initial Term but do not complete the requirements in Section 2.1, then at our sole option, this Agreement may be treated as either: (a) expired as of the date of the expiration of the Term, in which case, you will be operating without a franchise or license to do so and in violation of our rights to the Marks and System; or (b) renewed for successive 30-day periods (the “**Interim Period**”), in which case, all your obligations under this Agreement will remain in full force and effect during the Interim Period as if the Agreement had not expired, except that, during the Interim Period, you will be required to pay us 125% of the stated Royalty Fee and 125% of the then-current Fund contribution rate set forth in Attachment A. At any time during the Interim Period, you or we may deliver to the other a written notice of non-renewal, in which event, the Term will expire on the 30th day following delivery of the issuing party’s non-renewal notice.

3. **SITE SELECTION, CONSTRUCTION; RESTAURANT LOCATION**

- 3.1. **Site Selection and On-Site Evaluation.** Despite any assistance or guidance we provide, you are solely responsible for locating a proposed site and securing possession of the site once we have approved it. Within 180 days after the Effective Date, you must have identified a site for the Restaurant and submitted to us a site approval request packet, as set forth in Section 3.2 below. The site must be located within the Site Selection Area identified in Attachment A and must otherwise be mutually acceptable to you and us. We will conduct one, on-site, site selection evaluation visit at no cost to you.
- 3.2. **Approval of Location.** For each proposed site that you identify, you must deliver to us a completed site approval request packet, on our approved forms, containing all information we require regarding the proposed site. You may not proceed with any site until we approve it, in writing, to be the Location on which your Restaurant may be developed and operated. Our approval of a proposed site is merely an indication that the site meets our then-current criteria that we have established for our own purposes. You may not rely on it for any purposes, including as an assurance that you will be able to secure possession of the site, that local authorities will allow you to develop the Restaurant in compliance with our Standards, that the Restaurant can be developed within any particular time period, that there will not be extraordinary costs associated with the development of the Restaurant at the Location, or that the Restaurant will achieve a certain sales volume or level of profitability.
- 3.3. **Lease of Building.** If you intend to occupy the Location under a lease with a third-party landlord, you may not sign the lease until we have approved its terms. At a minimum, the lease must contain the terms we periodically specify from time to time to, in our judgment, protect the Rusty Taco[®] brand and our interests as franchisor of the brand, including our option to assume the lease in the event of expiration or termination of this Agreement or your default of the lease. Our current lease requirements are reflected in Attachment D and are subject to change. You may not rely on our approval of your lease for any purposes, including as to the favorability of its terms or your rights under the lease. You must deliver to us a fully executed copy of the lease within 10 days after its execution.
- 3.4. **Restaurant Design and Build-Out.** You must follow our procedures and Standards for the construction and build-out of your Restaurant, which includes engaging the design consultant and/or general contractor that we designate or otherwise approve. You must engage and pay any fees and costs associated with the architect we designate or otherwise approve. We will provide you access to specifications and layouts for Restaurants that we approve. You must, working with your architect and contractor, do all things necessary to construct and build out the Restaurant according to our Standards for design, decor, and layout, including (a) equipping the Restaurant according to our requirements for fixtures, furnishings, equipment, interior and exterior signage, artwork and graphics, trade dress, and awnings, (b) sourcing, hiring, and paying for the professional services needed to complete the Restaurant design and build-out obligations, (c) obtaining all government approvals, zoning classifications, permits, and clearances related to the Restaurant and for complying with all Applicable Laws including those related to accessibility, and (d) securing and maintaining all insurance coverages necessary to comply with Applicable Laws and our requirements. You must notify us in writing when construction begins and thereafter provide a weekly progress report. We and our designees have the right to inspect the site at all reasonable times and conduct the number of on-site visits to the Restaurant during the construction phase that we deem appropriate, which may be only one visit.
- 3.5. **Opening.** You must, at your expense, do all things necessary to commence the operations of the Restaurant by the Opening Date in accordance with our Standards. You must not open the Restaurant until you receive our written permission to do so, which will be granted only if: (a) all amounts due to us and our Affiliates, (b) the Restaurant has been constructed and equipped according to our Standards, (c) all of your pre-opening and training obligations have been satisfied, (d) we have received from you a signed ACH Authorization on our then-current form; (e) we have received from you a fully executed copy

of your approved Restaurant lease; (f) we have received from you certificates of insurance as required by this Agreement and Applicable Laws; and (g) you are otherwise in good standing under this Agreement. You must open the Restaurant within five (5) days following our written approval. No later than 120 days after the Opening Date, you must provide us a report, in the format and containing the information that we reasonably specify, identifying the amounts that you spent in various categories relating to the development and opening of the Restaurant.

3.6. **Liquidity and Financing.** We have granted the Franchise to you based, in part, on your representations to us regarding, and our assessment of, your liquidity as of the Effective Date. You will ensure that, throughout the Term, you will maintain, to our reasonable satisfaction, sufficient liquidity to meet your obligations under this Agreement. You acknowledge and agree that, if at any time you or your Affiliates propose to obtain any financing with respect to the Location, the development or operation of your Restaurant, or furniture, fixtures, equipment or other assets used in the operation of the Restaurant in which such items are pledged as collateral to secure your performance in connection with such financing (each a “**Financing**”), the Financing is a Transfer subject to our approval and all other conditions set forth in Sections 12.4 and 12.6 of this Agreement. Our consent to any Financing may be conditioned upon the inclusion in the loan and security agreements of various terms and conditions that are acceptable to us. Subject to this Section, and unless we approve otherwise, in writing, you must apply for and diligently pursue any government-issued, government-sponsored, or governmental-guaranteed non-recourse grants, loans, and/or bailouts for which you qualify and that are made available to small businesses for economic stimulus.

3.7. **Relocation.** You may not relocate the Restaurant without our prior written consent, which we may grant, withhold or condition in our sole discretion. Subject to our approval of your proposed relocation site and your proposed relocation plan, we will not withhold our approval of your request to relocate if your lease expires or terminates through no fault of yours, or if the Restaurant is destroyed or materially damaged by fire, flood, or other natural catastrophe, and you are not in default of this Agreement or any other agreement between you and us. In connection with the relocation, you must sign a new, then-current form of Franchise Agreement, and a general release by you and your related parties of all claims against us and our related parties. Site selection, construction, and opening of the relocated Restaurant will be governed by the new franchise agreement. You are solely responsible for all relocation costs and expenses, which may include reimbursement of our reasonable costs and expenses (including attorneys’ fees) associated with the relocation.

4. **FEES**

4.1. **Initial Franchise Fee.** Upon execution of this Agreement, you shall pay us an Initial Franchise Fee in the amount specified in Attachment A (less, if applicable, any credit required under a Development Agreement). The Initial Franchise Fee is fully earned by us when paid and is not refundable.

4.2. **Royalty Fees.** You also agree to pay us a nonrefundable, continuing and recurring royalty fee in an amount equal to five percent (5%) of the Gross Sales of the Restaurant during the most recent Accounting Period (“**Royalty Fee**”). We will determine the amount of the Royalty Fee and other amounts due under this Agreement by accessing and retrieving Gross Sales data from your computer system, as permitted by Article 10, or any other means available to us to determine your Restaurant’s Gross Sales for the applicable Accounting Period. If we are unable to access your computer system to determine the amount of the Royalty Fee, we may debit your account for 110% of the average of the last three (3) Royalty Fee and Fund contributions that we debited. If the amounts that we debit from your account under this paragraph are less than the amounts you actually owe us (once we have determined the true and correct Gross Sales), we will debit your account for the balance on the day we specify. If such amounts are greater than what you actually owe, we will credit the excess against the amounts we otherwise would debit from your account during the following week.

- 4.3. **Growth Incentive Program.** You are eligible to participate in the Growth Incentive Program upon signing this Agreement. If you qualify for the program and open your Restaurant on or before December 31, 2024, your Royalty will be two and a half percent (2.5%) of Gross Sales accrued during the first calendar year (twelve (12) months) that your Restaurant operates. If you qualify for the program and open your Restaurant after December 31, 2024, but on or before December 31, 2025, your Royalty will be two and a half percent (2.5%) of Gross Sales accrued from the time of opening until December 31, 2025. Your Royalty will be five percent (5%) of Gross Sales accrued during the remainder of the term of the Franchise Agreement. If you or your affiliates fail to comply with your or their obligations under the Franchise Agreement or any other agreement with us or our affiliates, you will lose the incentive, and your Royalty will immediately revert to five percent (5%) for the remainder of the term of the Franchise Agreement. We reserve the right to discontinue the offer of the incentive program.
- 4.4. **Unauthorized Temporary Closure.** If your Restaurant does not generate Gross Sales because you have temporarily closed your Restaurant without our consent, your Royalty Fee for each whole or partial day your Restaurant is closed (“**Temporary Royalty**”) will be 110% of the average daily amount of the Royalty Fee that was owed for the week immediately prior to the closure. Temporary Royalty will be due and payable as, when and in the same manner as the Royalty Fee. Payment of a Temporary Royalty will not act as a cure of the default caused by the unauthorized closure and will not alter or impair any other rights we have under this Agreement or any other agreements between us and you or your Affiliates, all of which are reserved. If we do not exercise our right to terminate based on your unauthorized closure, you may only re-open the Restaurant with our prior written consent, and your Royalty Fee will resume as described above in Section 4.2 upon reopening.
- 4.5. **Non-Compliance Charge.** The Royalty Fee rate we charge under this Agreement was determined based on the assumption that you will comply with your obligations hereunder. If you do not comply with your obligations, we will incur additional costs and expenses and, depending on the nature of the noncompliance, may lose the revenue stream we bargained for in entering into this Agreement. Therefore, if we determine that you are not in compliance with your obligations under this Agreement, your Royalty Fee rate will be increased to six percent (6%) until we determine that you have cured all deficiencies and are compliant with all terms of the Agreement, at which time it will revert to the rate referenced in Section 4.2 above. Payment of the non-compliance charge is intended to compensate us for certain revenue we may have lost and expenses or losses we incur as a result of the non-compliance. It is not a penalty or an expression of the total amount of such damages nor is it a cure of the non-compliance that triggered its payment. Nothing in this Section limits any of our other rights and remedies available under the terms of this Agreement.
- 4.6. **Other Payments.** In addition to all other payments provided in this Agreement, you shall pay us and our Affiliates promptly when due:
- 4.6.1. all amounts we or our Affiliates advance for your benefit or for which we or our Affiliates have become obligated to pay on your behalf for any reason whatsoever; and
- 4.6.2. the amount of all sales taxes, use taxes, personal property taxes, and similar taxes, which are or may be imposed upon you and required to be collected or paid by us (except our own income taxes) on account of your Gross Sales or fees you pay or owe to us under this Agreement. We may, in our discretion, collect the taxes in the same manner as Royalty Fees are collected and promptly pay the tax collections to the appropriate governmental authority; provided, however, that unless we so elect, it shall be your responsibility to pay all such taxes now or hereinafter imposed by any governmental authorities.
- 4.6.3. amounts due relating to your participation in marketing programs pursuant to Sections 9.5, 9.6, 9.7, and 9.8 of this Agreement; and

- 4.6.4. all amounts due us and our Affiliates, all Designated Suppliers, Designated Distributors, and your other trade creditors and your landlord (unless such amount is subject to a bona fide dispute).
- 4.7. **Set-Off Rights.** You may not set off, deduct, or otherwise withhold any fees or other amounts due us under this Agreement on grounds of our alleged nonperformance of any of our obligations or for any other reason. We may set off against any amounts we owe you any amounts you owe us and our Affiliates.
- 4.8. **Accounting Period.** We have the right to define applicable accounting periods for purposes of calculating and paying amounts due under this Agreement. Each period, which may be defined in terms of days, weeks, or months, in our sole discretion, will be considered an “**Accounting Period**” for all purposes under this Agreement. We have the right to change or modify the definition of an Accounting Period, in our discretion, for the entire System generally, or for you, individually, if you do not comply with any of your obligations under this Agreement. We will provide you with at least 30 days’ advance written notice of any change in Accounting Period.
- 4.9. **Payment Terms and Procedures.** All payments required by this Agreement must be paid on the day or date we specify (“**Due Date**”). If the Due Date is not a Business Day, then payment will be due on the next Business Day.
- 4.10. **Electronic Funds Transfer.** You shall participate in our electronic funds transfer program, as it may be changed from time to time, authorizing us to use a pre-authorized bank draft system. You shall: (a) comply with our procedures, as specified in the Operations Manual or otherwise in writing; (b) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described in this Section 4.9; (c) give us an authorization in the form we designate from time to time to initiate debit entries and/or credit correction entries to an appropriately funded bank account for payments of the Royalty Fee and all other amounts payable under this Agreement, including any interest charges; and (d) make sufficient funds available in your designated bank account for withdrawal by electronic funds transfer no later than the Due Date for payment thereof. Notwithstanding the provisions of this Article 4., we reserve the right to modify, at our option, the method by which you pay the Royalty Fee and other amounts owed under this Agreement upon our written notice. Your failure to have sufficient funds in the account for which you have given us authorization to make electronic funds transfers is a material breach of this Agreement.
- 4.11. **Interest; Nonsufficient Funds Charge.** Any payments we do not receive by the Due Date will accrue interest at the rate of 18% per annum or the highest lawful interest rate permitted by the jurisdiction in which the Restaurant operates, whichever is less. If any check or draft, electronic or otherwise, is returned for insufficient funds, you shall pay us a nonsufficient funds charge for each check or draft in the amount of \$50 and reimburse us for all expenses that we incur on account of such nonsufficient funds. Payment of interest will not constitute a cure of the non-payment.
- 4.12. **Partial Payments; Application of Payments.** If you pay less than the amount due, your payment will be considered a partial payment on account. We may accept such payment as a partial payment, irrespective of any endorsement or other statement that the payment constitutes full payment. Our acceptance of such partial payment will not be considered a waiver of our right to demand or receive full payment, and you hereby waive any estoppel defense in this regard. We may apply your payments to any indebtedness, in our sole and reasonable discretion, regardless of any designation that accompanies the payment.
- 4.13. **Laws Prohibiting Payments on Alcohol Sales.** If a law is in effect on the Effective Date or is later enacted and takes effect during the Term of this Agreement that prohibits or restricts in any way your ability to pay and/or our ability to collect the Royalty Fee or other amounts derived from the sale of alcohol products, then we reserve the right to modify your payment obligations under this Agreement and

amend the applicable provisions hereunder in order to provide the same economic effect to both you and us contemplated by this Agreement as if such law had not taken effect (including, for example, by increasing the Royalty Fee and other payments owed on non-alcohol sales). In such event, you agree to execute the documents in the form we require to give effect to such changes to this Agreement.

5. TRAINING AND ASSISTANCE

- 5.1. **Initial Training Program.** If this is your or your Affiliates' first Rusty Taco Restaurant, at least 60 days before the Opening Date of the Restaurant, at least one (1) and up to three (3) people (one of which must be your Operating Principal or Restaurant Manager, if applicable) (the "**Required Trainees**") must attend and complete to our satisfaction, our initial training program. We will not assess a fee for the initial Required Trainees to attend the initial training program. Replacements of your Operating Principal or Restaurant Manager will be allowed to participate in our initial training program subject to compliance with the requirements regarding Additional Training in Section 5.4 below. If the Restaurant is not your or your Affiliates' first Restaurant, we may require you to conduct the initial training program for your Required Trainees who have not previously completed the program, but we reserve the right to conduct it ourselves if we determine that you are unable to properly do so. In that instance, participation in the initial training program will be subject to compliance with the requirements regarding Additional Training in Section 5.4 below. If you notify us within six (6) months of completing the initial training program that you believe you did not receive adequate training, we will permit up to two additional persons that we approve to attend our next regularly scheduled training program without charge. If we do not receive notification within this six-month period, then you will be deemed to have waived any claim that you did not receive adequate training.
- 5.2. **Restaurant Opening Assistance.** If this Agreement is being signed in conjunction with your or your Affiliates' first Rusty Taco[®] Restaurant, we will provide on-site Restaurant opening assistance to you, the number of personnel and duration of which will be in our discretion. That assistance will be provided at no cost to you, except that you must pay for the costs of your employees and for the food that is used during the opening assistance period. Your Operating Principal or Restaurant Manager must be present at the Restaurant during the opening assistance period. If this is not your or your Affiliates' first Rusty Taco[®] Restaurant, we may, either at your request or if we deem necessary, provide on-site opening assistance, subject to availability of personnel. In such event, you agree to pay our then-current per diem fee for each individual that we provide for such assistance, plus our out-of-pocket costs for travel, lodging, and dining. We will provide the on-site, opening assistance once you have completed all improvements at the Restaurant, received a certificate of occupancy, applied for your liquor license, and hired enough employees to staff the Restaurant.
- 5.3. **Ongoing Consultation.** We will provide such ongoing consultation and advice as we deem appropriate, which may include information about new product development, instruction concerning the operation and management of a Rusty Taco[®] Restaurant, advertising and marketing advice, and financial and accounting advice. We will determine the substance, manner, and frequency of any such consultation and advice.
- 5.4. **Additional Training Programs.** We may from time to time, either on your request or at our initiative, provide remedial training if, in our determination, your Restaurant is not complying with our Standards because your personnel have been improperly or inadequately trained ("**Remedial Training**"). Your Required Trainees and other personnel we designate must attend and complete, at your expense, all Remedial Training. We may also, in our discretion and during the Term, provide or make available, and all of your Required Trainees and other personnel we designate must attend and complete, additional courses, seminars, meetings (including our annual meeting of franchisees), and other training programs regarding the operation of Rusty Taco Restaurants (together with the Remedial Training, the "**Additional Training Programs**").

We reserve the right to require that you pay us a reasonable fee for any Additional Training Programs and reimburse our expenses, including the costs of travel, lodging, and meals, related to any Remedial Training or training for your Replacement Required Trainees. We will not be responsible for, and you agree to hold us harmless from, the costs of any subscriptions or licenses required to participation in any training program and any travel or living expenses, wages, or benefits owed to, or other costs of, any person attending the initial training program, any Additional Training Programs, any replacement training and any other training program, whether participation in such training is mandatory or voluntary.

All initial training programs we provide or designate will take place at a location (which may be virtual) and at the times that we designate. The timing of completion, scheduling, location, content, length and format of our training programs are at our discretion, and we reserve the right to require that all of your required attendees attend and participate at the same time.

6. OPERATION OF THE RESTAURANT

6.1. **General Operating Requirements.** You agree to faithfully, honestly, and diligently perform your obligations under this Agreement and to operate and promote your Restaurant, generally, in accordance with this Agreement, with all Applicable Laws, and in a manner that promotes and enhances the goodwill associated with your Restaurant, the Marks used at your Restaurant, and the Rusty Taco® brand at your Location throughout the Term. You agree to comply with our Standards and acknowledge and agree that we may add to, eliminate, or modify any the Standards applicable to the operation of Rusty Taco Restaurants in our sole discretion, including modifications to accommodate local and regional variations, each of which may require that you make certain modifications to the manner in which your Restaurant is operated. Specifically, you agree, at your expense, to do the following:

6.1.1. operate the Restaurant according to the highest applicable health standards and ratings; timely obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Restaurant; operate the Restaurant according to our then-current Standards and mandatory provisions of the Operations Manual; and maintain, at all times, a high moral and ethical standard in the operation of the Restaurant;

6.1.2. accept in the Restaurant all forms and methods of payment (including procedures for collection of funds relating thereto) that we specify from time to time, and acquire, install and use all hardware and software necessary to do so;

6.1.3. comply with and meet or exceed all industry standards applicable to the protection of customer privacy and credit card information, including standards developed by the Payment Card Industry Data Security Standards (PCI DSS) council or its successor and other regulations and industry standards, the Fair and Accurate Credit Transaction Act (FACTA), and all other data security requirements we prescribe;

6.1.4. notify us immediately by telephone, and confirm in writing within 48 hours of such notice, of any investigation or violation, actual or alleged, concerning any health, liquor, or narcotics laws or regulations or concerning any data breaches or data security threats, and notify us in writing within 72 hours of the commencement of any investigation, action, suit, or proceeding or the issuance of any order, writ, injunction, award, or decree of any court, agency, or other government instrumentality, which may adversely affect the operation or financial condition of the Restaurant;

6.1.5. upon the occurrence of a Crisis Management Event, immediately inform our President (or as otherwise instructed in the Operations Manual) by telephone, or as set forth in this Agreement, of such event and cooperate fully with us and with the appropriate authorities with respect to the response to, investigation, mitigation and resolution of, and public statements and communications regarding the Crisis Management Event;

6.1.6. process and handle all customer complaints connected with or relating to the Restaurant and promptly notify us of all: (a) food related illnesses; (b) safety or health violations; (c) claims exceeding \$1,000; and (d) any other material claims against or losses suffered by Restaurant. You shall maintain any communications with governmental authorities affecting the Restaurant during the Term of this Agreement and for one year after the expiration or earlier termination hereof. If any customer of the Restaurant contacts us to report a complaint about your Restaurant, you agree that we may, in our discretion, compensate the customer in such manner as we determine appropriate, and you agree to reimburse us the amount of such compensation upon our demand;

6.1.7. attend, and cause your Operating Principal to attend, our annual meeting of franchisees;

6.1.8. purchase and use all operations-related programs or materials we require, in our sole discretion, and if such programs or materials are supplied by third-party vendors, pay all associated costs and fees; and

6.1.9. comply with all Applicable Laws pertaining to sending emails, including the Controlling the Assault of Non-solicited Pornography and Market Act of 2003 (CAN-SPAM Act).

6.2. **Operating Principal; Restaurant Manager.**

6.2.1. If the Restaurant is your or your Affiliates' only Rusty Taco Restaurant, your Operating Principal must engage in and have control over the on-premises day-to-day supervision of the Restaurant. The Operating Principal will be (i) you if you are a natural person, (ii) your general partner (or an owner of your general partner) if you are a partnership, (iii) a natural person having at least a 10% direct or indirect ownership interest in you if you are any other kind of legal entity. If you are not a natural person, your Operating Principal must be approved by us. Unless a Restaurant Manager is appointed, as described below, the Operating Principal shall devote full-time efforts to the operation of the Restaurant and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment. If the Operating Principal ceases to serve in, or no longer qualifies for, such position, or transfers his or her equity interest, you must designate another qualified person to serve as your Operating Principal within 30 days after the date the prior Operating Principal ceases to serve or no longer qualifies to serve. Any proposed replacement Operating Principal is subject to our written approval and must successfully complete, to our satisfaction, all training we require before becoming the Operating Principal and, in no event, later than 90 days after the previous Operating Principal ceased to serve in such position.

6.2.2. If, at any time, you or your Affiliates operate more than one Rusty Taco[®] Restaurant, then, in addition to the Operating Principal, you must appoint an individual, who need not have an ownership interest in you, to serve as Restaurant Manager. The Restaurant Manager must be approved by us and, once approved by us to assume the role, shall have full control over day-to-day Restaurant management and operations. Your Restaurant Manager shall devote full-time efforts to the management and operation of the Restaurant and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment. If the Restaurant Manager ceases to serve in, or no longer qualifies for, such position, you shall designate another qualified person to serve as your Restaurant Manager within 30 days after the date the prior Restaurant Manager ceases to serve or no longer qualifies to serve. Any proposed replacement Restaurant Manager is subject to our approval and must successfully complete, to our satisfaction, all training we require before becoming the Restaurant Manager and, in no event, later than 90 days after the previous Restaurant Manager ceased to serve in such position.

6.3. **Employee Policy; Uniforms and Employee Appearance.** You shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that your employees

preserve good customer relations, render competent, prompt, courteous, and knowledgeable service, and meet the minimum Standards that we mandate from time to time. You shall cause all employees, while working at the Restaurant, to wear uniforms of such color, design, and other specifications as we may designate from time to time, and present a neat and clean appearance. In no case shall any of your employees, while working for you at any business other than the Restaurant, dress in the manner they are required to dress when working in the Restaurant. You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors that you hire to assist in the operation of your Restaurant. You agree that any employee, agent or independent contractor that you hire will be your – not our - employee, agent or independent contractor. You also agree that you are exclusively responsible for the terms and conditions of employment of your employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. You agree to manage the employment functions of your Restaurant in compliance with federal, state, and local employment laws.

6.4. **Authorized Menu Offerings.** You must offer and sell all menu items that we require and only those menu items that we have approved as of the time you offer and sell them. You must prepare, package, and serve all menu items in accordance with our Standards, which may include use of specific ingredients, adherence to recipes, use of specific containers and paper goods, packaging procedures, requirements or prohibitions relating to “combo meals,” product holding times, and other standards for displaying for sale menu items and other merchandise. You must participate in all product and market research programs we require (which may include test-marketing new products) and provide us with timely reports and test results in accordance with our guidelines for each program.

6.5. **Purchases from Designated Sources.**

6.5.1. We reserve the right, in our sole discretion, to approve or designate, and to revoke our approval or designation of, all suppliers, vendors, and distributors (each a “**Designated Supplier**”) of any and all products, goods, services, materials, and other items you use in the development of your Restaurant and in the operation of your Restaurant, including in the preparation, promotion, offer and sale of goods and services (each an “**Item**”). You agree to purchase all Items only from Designated Suppliers. We and our Affiliates may be a Designated Supplier and may be the only Designated Supplier for certain Items. We and our Affiliates, as Designated Suppliers, may also establish, own and operate commissaries and distribution facilities. We and our Affiliates may derive revenue and other consideration from the sale of Items to you and from other Designated Suppliers based on your purchases of Items from them. We and our Affiliates have the right to retain and use, or not use, in our and their discretion, all such revenue and other considerations.

6.5.2. By Designating Suppliers, we are not guaranteeing or making any warranties regarding the performance of Designated Suppliers or a particular price or continuous supply of any Item nor are we assuming responsibility for any delays, damages, or defects related to Items or the quality of Items you purchase or are required to purchase from Designated Suppliers. You hereby waive all such claims against us and our Affiliates.

6.5.3. Subject to our ongoing right to approve and designate Designated Suppliers, you may purchase any Items for which we have not approved or designated a Designated Supplier from any supplier, vendor or distributor as long as the Items meet our Standards and specifications for such Items. These specifications may include certain designated brands of such Items (“**Approved Brands**”), in which case, you may purchase and use only the Approved Brands that meet any other Standards and specifications.

6.5.4. We are not required to consider alternative suppliers, vendors or distributors for any Item for which we have approved or designated a Designated Supplier. However, if you would like us to consider approving or designating a supplier, vendor or distributor for Items for which there is not then a

Designated Supplier or an alternative to a Designated Supplier, you shall submit a written request for our approval. If we elect, in our discretion, to investigate your request, we reserve the right to charge you or the proposed supplier, vendor or distributor a reasonable fee and require that you or they reimburse the costs and expenses we incur in investigating your request. We will determine the scope and parameters of our investigation and the conditions we may impose should we decide, in our discretion, to approve your proposed supplier, vendor or distributor.

6.6. **The Restaurant Facilities; Vehicles.**

6.6.1. You shall, at your expense, maintain the Restaurant (including adjacent public areas) in a clean, orderly, condition and in excellent repair, and equipped and outfitted, in every respect, in accordance with our Standards. You shall, at your expense, make such additions, alterations, repairs, and replacements as may be required for that purpose, including such periodic repainting, repairing, and replacing of obsolete or deteriorated signs, furnishings, fixtures, equipment, and decor as we may reasonably direct. You must use such systems and devices as we require, and you will not play or show any music, programming, or other entertainment that we do not approve.

6.6.2. At our request, but not more often than once every 60 months (and in addition to any work which you may undertake pursuant to other sections of this Agreement), you shall, at your own expense, refurbish the Restaurant, replace or renovate equipment, remodel and redecorate the Restaurant and its premises, and make such modifications to existing improvements and reasonable structural changes that we may reasonably require or that may be required by law, in each case, as necessary to conform to the building design, trade dress, color schemes, and presentation of the Marks in a manner consistent with the then-current public image for new or remodeled Rusty Taco Restaurants in the System.

6.6.3. You shall purchase and install, at your expense, all fixtures, furnishings, equipment, decor, signs, and other items as we may reasonably direct from time to time in accordance with our Standards; and shall refrain from installing or permitting to be installed on or about the Restaurant, any fixtures, furnishings, equipment, decor, signs, vending, or game machines, pay telephones, automatic teller machines, Internet kiosks, or other similar items not previously approved in writing as meeting our Standards.

6.6.4. At our request, you shall make such alterations as may be necessary to reflect new product offerings and marketing incentives, including updating or replacement of menu boards and the purchase and use of new interior signage, graphics, and/or point of sale materials.

6.6.5. Any vehicle used in connection with the operation of the Restaurant must meet our Standards. You shall place such signs and decor items on the vehicle as we require and keep the vehicle clean and in good working order. No one under the age of 18 and no one without a valid driver's license may be permitted to operate a vehicle used in connection with the Restaurant. Each individual who operates a vehicle used in connection with Restaurant operations must comply with all Applicable Laws and rules of the road and use due care and caution in the operation and maintenance of the vehicles. Except as stated herein, we do not exercise any control over any motor vehicle used in the operation of your Restaurant.

6.7. **Days and Hours of Operation.** You shall cause the Restaurant to be open and operating on the days (currently seven days per week) and during the hours that we prescribe. You agree that, in the event an executive order is issued that directly affects the operation of your Restaurant, you will not close your Restaurant unless: (1) you obtain our prior written consent; and (2) it is specifically in response to an applicable executive order and not based on recommendations or guidelines issued by a governmental authority or agency or the Centers for Disease Control and Prevention.

- 6.8. **Inspections; Testing.** We have the right to enter the Restaurant premises, including “virtual” Restaurant visits via in-Restaurant video camera systems or other developing technology, during regular business hours to inspect the Restaurant for quality assurance purposes. You may be required to participate in various food safety, cleanliness, or other programs offered by us or third parties, which may require in-Restaurant visits by such third parties, and you may be required to pay the fees associated with such third-party visits. Such inspections are for the purpose of enforcing the Standards. They are not intended to exercise, nor do they constitute, control over your day-to-day operation of your Restaurant. You shall allow us from time to time to obtain samples of ingredients, products, and supplies, without charge therefore, for testing for quality assurance purposes. If notified of a deficiency in our Standards, you must promptly cure the deficiency.
- 6.9. **Pricing.** Unless prohibited by Applicable Laws, we may periodically set a maximum or minimum price that you may charge for products and services offered by your Restaurant, including restriction on the use of coupons/discounts and participation in company discount programs. If we impose such a maximum or minimum price, you may charge any price for the product or service up to and including our designated maximum price or down to and including our designated minimum price. The designated maximum and minimum prices for the same product or service may, at our option, be the same. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.
- 6.10. **Technology Fees.** We have the right to impose, and you agree to pay to us and/or our Affiliates, various technology fees in the amounts that we periodically require for costs and fees to support technology and related products and services that we and/or our Affiliates periodically provide. We also have the right to collect and remit to any third-party technology providers any amounts you owe them.
- 6.11. **Contact Identifiers and Listings.** You agree that each Contact Identifier will be used solely to identify your Restaurant in accordance with this Agreement. You acknowledge and agree that, as between us and you, we have the sole rights to, and interest in, all Contact Identifiers and all Online Presences. You hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer such Contact Identifiers to us.
- 6.12. **Data Privacy and Information Security.** You must implement, entirely at your expense, all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information (“**Personal Information**”) in accordance with all Applicable Laws and industry best practices, including related to the collection, access use, storage, disposal and disclosure of Personal Information. If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately of the breach or unauthorized access and specify the extent to which Personal Information was compromised or disclosed, and your plans to correct and prevent any further breach or unauthorized access. You will allow us, in our discretion, to participate in any response or corrective action.

7. MARKS AND COPYRIGHTS

- 7.1. **Acknowledgments.** You agree that: (i) as between us and you, we and our Affiliate own all right, title, and interest in and to, and the goodwill associated with, the Marks, (ii) you have no ownership interest in the Marks, (iii) you will not contest or assist anyone else in contesting our or our Affiliate's ownership or validity of the Marks or any registration thereof or engage in any conduct that adversely affects the ownership or registration of the Marks or our right to use or to sublicense them, (iv) any and all goodwill associated with the Restaurant and identified by the Marks is our Affiliate's property and will inure directly and exclusively to the benefit of that entity, (v) on the expiration or termination of this Agreement for any reason, no monetary amount will be assigned to any goodwill associated with your use of the Marks, and (vi) your right to use the Marks is limited to the scope of the license granted herein does not extend beyond the termination or expiration of this Agreement. You agree to execute all documents that we or our Affiliate requests in order to protect the Marks or to maintain their validity and enforceability.
- 7.2. **Limitations on Your Use of the Marks.** You agree to use only those Marks that we designate from time to time and to use them only in the operation and promotion of the Restaurant in accordance with this Agreement and in the manner and for the purposes we authorize. Any unauthorized use of the Marks other will constitute an infringement of our and our Affiliate's rights in and to the Marks.
- 7.2.1. You may not use the Marks or any part thereof in your corporate name, and you may not use them to incur any obligation or indebtedness on our or our Affiliates' behalf.
- 7.2.2. Unless we separately provide written authorization, you may not use or display the Marks, any part or derivative thereof, or any Copyrighted Works in or in connection with any Online Presence. You represent that you do not own or control, and expressly disclaim ownership of, any domain name or Internet address that contains a Mark or any part or derivative thereof.
- 7.2.3. You must not use any Mark that implies that you are the owner of it. You shall identify yourself as an independent franchise owner of the Restaurant in the manner we specify from time to time. You agree to refrain from identifying yourself in or signing any business or legal documents as "Rusty Taco." All such documents shall reference and be signed only in your legal name. If you are required under Applicable Laws to file an assumed name registration with any governmental agency, you must first clear the assumed name with us. Your assumed name shall never be simply "Rusty Taco."
- 7.3. **Infringement.** You shall promptly notify us of any suspected unauthorized use of, or any challenge to the validity of the Marks, Copyrighted Works, or any challenge to our or our Affiliates' ownership of, our license to use and to license others to use, or your right to use, the Marks or Copyrighted Works licensed under this Agreement. We will have complete discretion to take any action we deem appropriate in connection with any infringement of, or challenge or claim to, any Mark or Copyrighted Work and the right to control exclusively, or to delegate control of, any legal, regulatory, or administrative proceeding, including the settlement thereof, regarding any Marks or Copyrighted Works. You shall execute any and all documents and do such acts as may, in our opinion, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks or Copyrighted Works in a manner inconsistent with the terms of this Agreement, we will reimburse you for your associated costs.
- 7.4. **Changes to and Discontinuance of Marks.** We reserve the right, in our sole discretion, to designate one or more new, modified, or replacement Marks for your use and to require your use of any such new, modified, or replacement Marks in addition to or in lieu of any previously designated Marks. You must comply with any such directive relating to the use of new, modified, or replacement Marks within the time periods we specify depending on the reason for the change. We need not reimburse you for your expenses of complying with our direction in this regard or for any loss of revenue due to any modified or

discontinued Mark. We may exercise these rights at any time and for any reason, and you waive any claims, demands or damages arising therefrom.

7.5. **Non-Disparagement.** You agree not to (and to use your best efforts to cause your current and former owners, officers, directors, agents, employees, representatives, attorneys, spouses, Affiliates, successors and assigns not to) disparage or otherwise speak or write negatively, directly or indirectly, of us, our Affiliates, any of our or our Affiliates' directors, officers, employees, representatives, current and former franchisees or developers, the Rusty Taco® brand, the System, any Rusty Taco Restaurants (including your own), any business using the Marks, any other brand or concept of us or our Affiliates, or which would subject the Rusty Taco® brand or such other brands to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of the Marks or the System.

8. **SYSTEM, OPERATIONS MANUAL, AND CONFIDENTIAL INFORMATION**

8.1. **Operations Manual.** We will provide you online access to the Operations Manual during the Term. The Operations Manual is part of our Confidential Information and will, at all times, remain our sole property. If any dispute arises as to the contents of the Operations Manual, the terms of the master copy of the Operations Manual we maintain shall be controlling.

8.2. **System Modification.** We may, from time to time, modify and vary the requirements applicable to the System, the Standards, the Operations Manual, individual Rusty Taco Restaurants, and the products and services that may be offered by Rusty Taco Restaurants (including the addition, deletion, and modification of menu items, operating procedures, products, services, decor, and trade dress). You agree to comply with all such modifications of mandatory provisions that we communicate to you. Further, we reserve the right to materially vary the form of franchise agreement that we use to grant Franchises for other Rusty Taco Restaurants. You have no right to require us to disclose any variation that we grant to other Rusty Taco Restaurants or to grant the same or a similar variation to you.

8.3. **Confidentiality.** You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of your Restaurant in accordance with this Agreement, and that the use, duplication or improper distribution or publication of the Confidential Information in any case would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary, includes trade secrets belonging to us and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you will: (1) not use the Confidential Information in any other capacity; (2) maintain the absolute confidentiality of the Confidential Information during and after the Term; (3) not make unauthorized copies of, or improperly disclose or publish any portion of, the Confidential Information however and in whatever form or format disclosed to you; and (4) adopt and implement all reasonable procedures we periodically prescribe to prevent unauthorized use or disclosure of the Confidential Information, including, by establishing reasonable security and access measures, imposing restrictions on disclosure to your key employees, and requiring the execution of nondisclosure and noncompetition agreements we may prescribe for employees or others who have access to the Confidential Information. The foregoing restrictions do not apply to: (i) disclosure or use of information that is lawfully known and used in the food service industry or by the public generally (as long as the availability is not because of a violation of Applicable Laws or an obligation to us or our Affiliates by you), provided that you have first given us written notice of your intended disclosure and/or use; (ii) disclosure of the Confidential Information in judicial or administrative proceedings when and only to the extent you are legally compelled to disclose it, provided that you have first given us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially; and (iii) disclosure of your Restaurant's operating results and financial performance to your existing and prospective lenders, and, provided they are bound by confidentiality obligations, to potential investors in you or purchasers of your Restaurant.

8.4. **Innovations.** You must promptly disclose to us all ideas, concepts, methods, techniques, and products conceived or developed by you and/or any of your Affiliates, owners, agents, representatives, contractors, or employees during the Term relating to the development or operation of your Restaurant or other Rusty Taco Restaurants (“**Innovations**”), whether or not protectable intellectual property and whether created by or for you or your owners or employees. All Innovations are our sole and exclusive property and works made-for-hire for us and shall constitute our Confidential Information. To the extent any Innovation does not qualify as a work made-for-hire for us, you assign ownership of that Innovation, and all related rights to that Innovation, 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 Innovation. We and our Affiliates have no obligation to make any payments to you or any other person with respect to any Innovations. You may not use any Innovation in operating your Restaurant or otherwise without our prior written approval.

9. **ADVERTISING AND MARKETING**

9.1. **General; Marketing Spending Requirement.**

9.1.1. In this Article 9, we require that you engage in and contribute to certain types of marketing activities, including a grand opening program, contributions to a brand development Fund, spending on local marketing activities and contributions to a local marketing co-op. Required contributions to the Fund (Section 9.3), minimum local marketing spending requirements (Section 9.4) and required contributions to a local marketing co-op (Section 9.5) are referred to herein as the “**Required Marketing.**” Excluding the amounts you are required to spend on the grand opening program under Section 9.2 below, we will not require that you spend on all Required Marketing during any calendar quarter more than six percent (6%) of the Restaurant’s Gross Sales (the “**Marketing Spending Requirement**”). We may require you to spend or contribute the amounts we specify from time to time on the different elements of Required Marketing as long as we do not require you to spend or contribute, on all such activities, more than the Marketing Spending Requirement during any calendar quarter. We will notify you 60 days in advance of any change to your required contribution to any component of the Required Marketing. 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 to determine the amounts you have spent on Required Marketing. If you fail to spend (or prove that you spent) the total Marketing Spending Requirement in any quarter, then we may, in addition to and without limiting its other rights and remedies, require you to pay us the shortfall as, in our discretion, either an additional Fund contribution or for us to spend on Local Advertising for the Restaurant.

9.1.2. All of your promotional and marketing materials must be presented in a dignified manner and must conform to our Standards related to advertising, marketing, and trademark use. You shall submit to us samples of any proposed promotional and marketing materials that we have not previously approved or prepared and notify us of the intended media before first publication or use. You may not use the promotional or marketing materials until we expressly approve the materials and proposed media. Once approved, you may use the materials only in connection with the media for which they were approved. We may disapprove your promotional or marketing materials, or the media for which they were approved, at any time, and you must discontinue using any disapproved materials or media upon your receipt of written notice of disapproval.

9.2. **Grand Opening Marketing Campaign.** In addition to all other advertising and promotion obligations described in this Article 9, you must conduct an initial advertising and marketing campaign to promote the opening of the Restaurant. The initial advertising and marketing campaign must comply with our

Standards, which currently require that you spend at least \$10,000 on the campaign, and which may include specifications regarding, among other things, use of certain materials and media, the length and timing of the promotion, and the amount spent on each. You must obtain our approval of all advertising items, methods, and media you use in connection with grand opening advertising program. You must submit to us an accurate accounting of all such expenditures upon our request.

9.3. **Brand Development Fund.** We have established a brand development fund (the “Fund”) to be used to promote awareness of the Rusty Taco® brand and System generally. You agree to contribute to the Fund in the amounts we specify, in writing, from time to time (currently 1% of the Restaurant’s Gross Sales), subject to the Marketing Spending Requirement. You must submit payments to the Fund with and in the same manner as your payments of Royalty Fee.

9.3.1. We or our designees will control all activities of the Fund. We have the right to use Fund monies, in our sole discretion, to pay for: creative development services (including creation and modification of Restaurant design and trade dress, logos, menu design, graphics and vehicle wraps, and advertising and promotional items, including the cost of retiring expired or obsolete printed items and materials, photography services, and design software); preparing and procuring market studies, providing or obtaining marketing services (including, without limitation, new product development; conducting customer surveys, focus groups, and marketing-related mystery shops and customer interviews); developing, promoting, implementing and executing limited time offerings; employing advertising and/or public relations agencies; developing, producing, distributing and placing advertising (including, without limitation, preparing and conducting media advertising campaigns in various media, local Restaurant advertising and promotion in a particular area or market, or for the benefit of a particular Restaurant or Restaurants in connection with Restaurant opening promotions or otherwise); conducting and administering in-Restaurant promotions; preparing and executing direct mail advertising, and developing, producing and purchasing point-of-sale advertising, menus and menu boards, and other sales aids and promotional items and materials); research and development and menu development (including, without limitation, purchase of equipment (including ovens), smallwares, and packaging required for new product testing and development, hiring culinary talent and/or engaging culinary consultants); developing, updating, and hosting our website (including development of locator programs) and/or an intranet or extranet system; obtaining sponsorships and endorsements; preparing and conducting sweepstakes and other promotions; developing, administering, and distributing coupons, certificates and Restaurant value card programs, and the cost of products associated with the redemption of free coupons, gift certificates and Restaurant value cards; developing and administering other customer loyalty programs; developing and administering online ordering platforms and related software applications; providing and procuring public relations services; conducting public relations activities; charitable donations; and membership fees in international, national, regional, and/or local trade or other associations or organizations. From time to time, we may engage in initiatives, new or otherwise, relating to the brand development activities stated above, and in order to implement or maintain the new or existing initiatives, we may use Fund monies to pay for the initial and recurring costs of new or existing initiatives. We reserve the right to shift all or a portion of an initiative’s recurring costs from the Fund to the franchisees, as authorized under this Agreement. We also may use Fund monies to reimburse our and our Affiliates’ costs of personnel and other administrative and overhead costs (whether internal or third party) associated with providing the services described in this Section 9.3.

9.3.2. You acknowledge and agree that we or our Affiliates own all rights, and retain all copyrights, in all design and content developed using Fund monies, and that we will have sole control over the creative concepts, content, form, and media placement of all advertising and promotional materials developed with Fund monies, and the allocations of Fund monies to production, placement, and other costs. We will own all copyright in any works created using Fund monies. You acknowledge and agree that we are not obligated to expend Fund monies for placement of advertising in your trading area, or to ensure that your Restaurant benefits directly or *pro rata* from the expenditure of Fund monies. We will not use Fund monies

for creating or placing any advertisement that is principally a solicitation for new franchisees, but may include in all advertising prepared using Fund monies (including Internet advertising) information concerning franchise opportunities, and a portion of Fund monies may be used to create and maintain one or more pages on our website devoted to advertising franchise opportunities and identifying and screening inquiries and applications submitted by franchise candidates. We have no fiduciary duty to you or to any other person with respect to the collection or expenditure of Fund monies. Upon your reasonable request, we will provide you with an annual statement of Fund contributions and expenditures.

9.3.3. Although the Fund is intended to be perpetual, we may terminate the Fund at any time. On termination, all remaining Fund monies will, in our discretion, be spent as provided in this Section 9.3 or returned to the Fund contributors in the manner we deem fair and equitable.

9.3.4. We are not required to segregate Fund contributions from our other funds, but we will account for the Fund separately from our other funds and, except as permitted herein, we will not use the Fund for any of our general operating expenses. The Fund will not be our asset. We will hold all Fund contributions for the benefit of the contributors and use contributions for the purposes described in this Section 9.3. We do not owe any fiduciary obligation to you for administering the Fund or any other reason. The Fund may, in our discretion, spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We may use all interest earned on the Fund contributions to pay costs before using the Fund's other assets.

- 9.4. **Local Advertising.** We reserve the right to require you to spend the amount that we periodically specify, subject to the Marketing Spending Requirement, on local brand development and advertising activities that we approve ("**Local Advertising**"). Any amounts spent on grand opening advertising under Section 9.2 shall not be credited toward satisfaction of your Local Advertising expenditure obligations under this Section 9.4.
- 9.5. **Franchisee Advertising Cooperatives.** When there are multiple Rusty Taco Restaurants operating in the same geographical area (as we define), we may establish or direct the establishment of a local advertising cooperative ("**Local Advertising Co-op**"), the purpose of which is, with our approval, to administer coordinated advertising programs and develop advertising, marketing and promotional materials for the area covered by the Local Advertising Co-op. The Local Advertising Co-op 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 Local Advertising Co-ops. You agree to sign any documents we require to become a member of a Local Advertising Co-op and, subject to the Marketing Spending Requirement, to contribute to and participate in the designated Local Advertising Co-op.
- 9.6. **Loyalty Programs, Prize Promotions, Meal Deals, and Promotional Literature.** You shall participate in and offer to your customers: (a) all customer loyalty and reward programs; (b) all contests, sweepstakes, and other prize promotions; (c) all meal deals, which we may require from time to time; and (d) customized promotional receipts programs. We will communicate to you in writing the details of each such program, promotion, and meal deal, and you shall promptly display all point-of-sale advertising and promotion-related information at such places within the Restaurant as we may designate. You shall purchase and distribute all coupons, clothing, toys, and other collateral merchandise (and only the coupons, clothing, toys, and collateral merchandise) we designate for use in connection with each such program, promotion, or meal deal. If any such program requires that you acquire and use specialized computer software and hardware necessary to process their sale and redemption, you will do so and be solely responsible for any service charges related to such processing. You also shall display at the Restaurant all promotional literature and information regarding such programs as we may reasonably require from time to time. This may include, among other things, displaying signage or other literature containing information about the Rusty Taco franchise offering.

- 9.7. **Participation in Marketing Programs.** You shall at all times cooperate with us and other operators of Rusty Taco Restaurants and shall actively participate in any and all sales, public relations, advertising, cooperative advertising, and purchasing programs or promotional programs (including, without limitation, product give-away promotions) as we specify from time to time. Participation may include purchasing (at your expense) and using: (a) designated point-of-sale materials; (b) counter cards, displays, and give-away items promoting loyalty programs, prize promotions, movie tie-in promotions, and other marketing campaigns and programs; (c) product mix and ingredients for product giveaways; and (d) equipment necessary to administer loyalty programs and to prepare and print customized purchase receipts, coupons.
- 9.8. **Business Directory Listings.** You shall place and pay the cost of business listings in print and online directories and categories, whether electronic or hard copy, as we may require from time to time. Amounts paid for business directory listings will not be credited toward the Marketing Spending Requirement.
- 9.9. **Websites and Online Presences.** We may establish, develop and update Online Presences to advertise, market, and promote Rusty Taco Restaurants, the products and services that they offer and sell, or the Rusty Taco franchise opportunity (each a “**System Website**”). We may, but are not obligated to, provide you with a webpage or other Online Presence that references your Restaurant on any System Website, upon which, you must: (i) provide us the information and materials we request to develop, update, and modify the information about your Restaurant; (ii) notify us whenever any information about your Restaurant is not accurate; and (iii) pay our then current initial technology fee for the Online Presences that are dedicated to your Restaurant. You acknowledge that we have final approval rights over all information on any System Website.

9.9.1. If you default under this Agreement, we may, in addition to our other remedies, temporarily remove references to your Restaurant from any System Website until you fully cure the default, and our doing so will not be considered a termination of this Agreement. All advertising, marketing, and promotional materials that you develop for your Restaurant must contain notices of the System Website’s domain name in the manner we designate.

9.9.2. You may not, without our prior written consent, develop, maintain or authorize any Online Presence that mentions your Restaurant, links to any System Website, or displays any of the Marks. You may not, directly or indirectly, through any Online Presence, promote, advertise or sell any products or services without our prior written approval. If we approve the use of any such Online Presence in your Restaurant’s operations, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on other third-party websites. Unless we specify otherwise, we will own the rights to each such Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence. If we allow you to maintain an Online Presence for your Restaurant, you must prepare and link a privacy policy to such Online Presence. Your Online Presence’s privacy policy must comply with all applicable laws, the Standards, and other terms and conditions that we may prescribe in writing.

9.9.3. TO THE MAXIMUM EXTENT PERMITTED BY LAW, WE HEREBY EXPRESSLY DISCLAIM ALL WARRANTIES (WHETHER EXPRESS, IMPLIED OR STATUTORY) RELATED TO THE AVAILABILITY AND PERFORMANCE OF A SYSTEM WEBSITE AND YOUR RESTAURANT’S PAGE, INCLUDING ANY IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, WE SHALL NOT BE LIABLE FOR ANY DIRECT OR INDIRECT DAMAGES (INCLUDING ANY CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES OR DAMAGES FOR LOST PROFITS OR LOSS OF BUSINESS) RELATED TO THE USE, OPERATION, AVAILABILITY OR FAILURE OF THE SYSTEM WEBSITE OR YOUR RESTAURANT’S PAGE.

10. **COMPUTER SYSTEM; ACCOUNTING AND RECORDS; TAXES**

- 10.1. **Computer System.** You shall acquire and use only the point-of-sale cash registers and computer systems and equipment that we prescribe for use by Rusty Taco® Restaurants (“**Computer System**”) and adhere to our requirements for use, including without limitation accounting for all Gross Sales through the Computer System. Requirements may include, among other things, connection to remote servers, off-site electronic repositories, and high-speed Internet connections. We may, in our sole discretion, require you to add to your Computer System memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software, replace or upgrade your Computer System (software and hardware) and other computers as we prescribe, and enter into maintenance agreements for the Computer System and other computers. We will provide you with 30 days’ advance written notice of any change to our Computer System requirements, and you must comply with all requirements within the time period we require. You must acquire, install, and maintain such anti-virus and anti-spyware software as we require, and you must adopt and implement such Internet user policies as we may prescribe for purposes of avoiding, blocking, and eliminating viruses and other conditions that interfere with operation of the Computer System. We may require you to provide us with all passwords, access keys, and other security devices as necessary to permit our remote access.
- 10.2. **Software.** You must: (a) use any proprietary software programs, system documentation manuals, and other proprietary materials that we require in connection with the operation of the Restaurant; (b) input and maintain in your computer such data and information as we prescribe or as provided in the software programs, documentation, or otherwise; and (c) purchase new or upgraded software programs, system documentation manuals, and other proprietary materials at then-current prices whenever we adopt such new or upgraded programs, manuals, and materials system-wide. You must enter into all software license agreements, “terms of use” agreements, and software and hardware maintenance agreements, in the form and manner we prescribe, and pay all fees imposed thereunder.
- 10.3. **Independent Access.** We may independently poll Gross Sales and other information input and compiled by your Computer System from a remote location, and you agree to do all things necessary to facilitate, and refrain from doing anything to impede, our ability to do so. We may also access your Computer System and retrieve, analyze, download, and use all software, data, and files stored or used on the Computer System. We may access the information system through our intranet, in your Restaurant, or from or through other locations and methods. You must store all data and information that we designate and report data and information in the manner we specify, including through our intranet, file exports, or other online communications or services. You also must maintain a phone line and a high-speed, broadband Internet connection, at our current, minimum bandwidth specification, dedicated to the sole use of allowing the exchange of information between you, us, and any third-party vendors that we require, and any software and/or services designated by us to facilitate these communications. You must maintain and share with us a permanent Internet email account.
- 10.4. **Maintenance of Records.** You shall prepare and preserve for at least five (5) years from the date of preparation complete and accurate books, records, and accounts according to generally accepted accounting principles and in the form we prescribe. Additionally, concurrently with the execution of this Agreement, you must provide us true and accurate copies of your charter documents and governing documents, and any amendments to the foregoing. You shall promptly provide such additional information as we may from time to time request concerning all persons who may have any direct or indirect financial interest in you.
- 10.5. **Submission of Financial Statements and Tax Returns.** No later than March 31 of each calendar year, you shall provide to us: (a) a copy of the previous year’s annual profit and loss statements; (b) a copy of the previous year’s sales tax returns; and (c) if requested, a copy of your federal and state income tax returns for the previous year; provided, however, that if you are a natural person, you may submit only those schedules to your personal tax returns which reflect the revenues and expenses of the Restaurant.

- 10.6. **Submission of Performance Reports.** You must accurately report to us the Restaurant's Gross Sales and such other financial information as we may reasonably require using the procedures and reporting dates that we prescribe periodically. We may require reports to be signed by your authorized representative, attesting to their accuracy. Within 30 days following the end of each calendar quarter, you must provide us a copy of your profit and loss statements prepared according to generally accepted accounting principles and which accurately reflect your financial information for the applicable Accounting Periods. We may require that you submit the profit and loss statements in a standardized format, using standardized charts of account that we provide to all of our franchisees. You also must provide us such other reports, computer back-up, and other information that we may reasonably request. We may also require that you periodically update us on the status of any loans (including the outstanding balance, then-current payment amounts, and whether such loan is in good standing) for which the Restaurant or any Items have been used as collateral. You must also deliver to us, within five (5) days after your receipt, copies of any default notices you receive from any such lenders.
- 10.7. **Our Right to Inspect Your Restaurant.** We (or our designee) may at all times and without prior notice to you inspect and photograph, capture moving images, and observe your Restaurant and its operations for consecutive or intermittent periods we deem necessary; remove samples of any products and supplies; interview your personnel and customers; inspect your Computer System and its components; and inspect and copy any books, records, and documents relating to the operation of your Restaurant. You agree to fully cooperate with us. If we exercise any of these rights, we will not interfere unreasonably with the operation of your Restaurant. You agree to present to your customers the evaluation forms that we may prescribe and to participate in and request your customers to participate in any surveys performed by or for us. Inspections under this Section will be at our expense, but if the inspection reveals failures to comply with our Standards, you will be required to reimburse the expenses we incur in re-inspecting the Restaurant to confirm that the failures have been correct. Similarly, if you or your personnel prevent us from conducting an inspection, you will reimburse us the costs we incur in connect in with our subsequent efforts to inspect your Restaurant.
- 10.8. **Audit of Franchisee Records.** We (directly or through our designated agent) have the right to audit, examine, and copy your books, records, accounts, and business tax returns at any time. You agree to cooperate fully with us and our representatives in any audit or examination under this Section. If an inspection or audit reveals underpayment of amounts owed to us, you shall immediately pay the understated amount with interest. If an audit or inspection reveals your understatement of Gross Sales by 2% or more for any Accounting Period then, in addition to amounts due on the understatement and interest, you shall promptly reimburse us all costs and expenses we incurred in connection with performing the audit or inspection (including travel, lodging and wage expenses, and attorneys' and accountants' fees). These remedies are in addition to our other remedies and rights under this Agreement and Applicable Laws.
- 10.9. **Disclosure of Information.** You hereby authorize us to publish information concerning the Restaurant's Gross Sales and other information reported to us or discovered by us in any inspection or audit, including in our franchise disclosure document and in other reports which may be presented to existing other operators of Rusty Taco Restaurants.
- 10.10. **Taxes.** You shall promptly pay all taxes due and owing based on your operation of the Restaurant and the Franchised Business including, without limitation, sales taxes, income taxes, and property taxes.
11. **INDEPENDENT CONTRACTOR, INSURANCE, AND INDEMNIFICATION**
- 11.1. **Independent Contractor.** You are an independent contractor, and nothing contained in this Agreement will create or be construed to create a partnership, joint venture, agency or employment relationship between the parties. Neither party has any fiduciary obligations to the other or will be liable for the debts

or obligations of the other. Neither party may bind the other, transact business in the other party's name, or in any manner make any promises or representations on behalf of the other party, unless otherwise agreed in writing, between them. We do not participate in the hiring, promoting, disciplining, or discharging of your employees or in setting or paying wages or benefits to your employees, and you acknowledge that we have no power, responsibility, or liability in respect to the hiring, promoting, disciplining, or discharging of employees or in setting or paying their wages. Additionally, you must communicate to all of your employees that you, not us, are their employer; and you must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or our name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

- 11.2. **Insurance Obligations.** You shall, at your expense, procure and maintain in full force and effect at all times during the Term of this Agreement, at your expense, one or more insurance policies that provide the coverages required by Applicable Laws and any additional coverages (types and amounts of coverage) that comply, in all respects, with our Standards. Your obligation to obtain and maintain insurance under this Section must not be limited in any way by reason of any insurance which we or our Affiliates may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 11.3 of this Agreement. At least 10 days prior to the time you are first required to carry insurance, and thereafter at least 30 days prior to the expiration of any policy, you shall deliver to us a certificate of insurance evidencing your compliance with this Section 11.2. Each certificate of insurance must expressly provide that no less than 30 days' prior written notice will be given to us in the event of material alteration to or cancellation or non-renewal of the coverage evidenced by such certificates. If you fail to procure or maintain these minimum insurance requirements, we or our designee has the right (but is not required) to procure, at your expense, such insurance on your behalf. Such right will be in addition to and not in lieu of any other rights or remedies available to us under this Agreement.
- 11.3. **Indemnification.** You shall indemnify and hold harmless, to the fullest extent permitted by Applicable Laws, us, our Affiliates and our and their respective directors, officers, employees, owners, agents, successors and assigns (collectively, "Indemnitees") from any and all "losses and expenses" incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with any agreement between you and a third party, the training you and your personnel receive from us, your employment or other relationship with your employees, contractors, or other third parties, or your operation of, or failure to operate, the Restaurant including, but not limited to, claims arising as a result of the maintenance and operation of vehicles or the Location (collectively, "event"), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity will not apply as to an Indemnitee in respect of any losses and expenses arising from the gross negligence of such Indemnitee (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement will extend to any finding of comparative negligence or contributory negligence attributable to you). For the purpose of this Section 11.3, the term "losses and expenses" will be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Under no circumstances will an Indemnitee be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under this provision, and its failure to seek such recovery or mitigate its losses and expenses will in no way reduce the amounts recoverable by such Indemnitee under this provision. You must give us prompt notice of any event of which you are aware, for which indemnification is required, and, at your expense and risk, we may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that we will seek your advice and counsel. Any

assumption by us will not modify your indemnification obligation. We may, in our sole and absolute discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in our sole and absolute discretion, necessary for the protection of the Indemnitees or the System. This provision survives termination or expiration of this Agreement, regardless of the reason for expiration or termination.

12. TRANSFER OF INTEREST

12.1. **Transfer by Us.** We may freely Transfer, assign or delegate all or any part of our rights or the performance of any of our obligations under this Agreement. If this Agreement is assigned to a third party, the assignee shall expressly assume and agree to perform, and shall become solely responsible for the performance of, all of our obligations under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, you expressly affirm and agree that our owners may Transfer their ownership interests in us, and we and our Affiliates may (i) sell some or all of their assets, including the Marks, the Copyrighted Works, or the System, (ii) sell securities in a public offering or in a private placement, (iii) merge, acquire other entities, or be acquired by another entity, and (iv) undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. With regard to any of the foregoing, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of our name, the Marks (or any variation thereof), the Copyrighted Works, the System, and/or the loss of association with or identification of us as the franchisor under this Agreement. You agree that we have the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Rusty Taco Restaurants operating as part of the System and under the Marks, the Copyrighted Works or any other marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be proximate to the Restaurant). You specifically waive any and all other claims, demands, or damages arising from or related to a merger, acquisition and other business combination activities as described in this Section, including any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

12.2. **Transfer By You or Your Owners.** We have entered into this Agreement based on our specific assessment of you and, if applicable, your Owners and, if you are not a natural person, the specific amount of direct or indirect ownership held by each Owner in you. Therefore, you agree that you and, if applicable, your Owners, may not engage in any form of Transfer without our prior written consent. We will not unreasonably withhold our consent to a proposed Transfer, but you agree that it would not be unreasonable to condition our consent on one or more of the following:

12.2.1. You and, if applicable, the transferring Owner, must submit to us a written request for consent to the proposed Transfer and deliver to us a copy of the proposed agreements related to the proposed Transfer, including sale terms. Your request and relevant documents must be submitted at least 60 days prior to the proposed Transfer, and we must have determined that the terms of the Transfer will not materially and adversely affect the post-Transfer viability of the Restaurant or unduly impact the Rusty Taco® brand or System;

12.2.2. The transferee must demonstrate to our satisfaction that it meets our then-current educational, managerial and business standards; possesses good moral character, business reputation and credit rating; has the aptitude and ability to operate the Restaurant; and meets our then-current liquidity and net worth requirements;

12.2.3. All of your accrued monetary obligations and all other outstanding obligations to us, our Affiliates, and your third-party suppliers, including your landlord and lender(s), are, or will be at the time of the

Transfer, current and fully paid and satisfied, and you must be in full compliance with this Agreement and any other agreements between you and us, our Affiliates, and your suppliers;

12.2.4. You or the proposed transferee must agree to refurbish the Restaurant premises, as we determine to be necessary in order to meet our then-current image requirements for new Rusty Taco Restaurants, or take such measure as necessary to meet our then-current repair and maintenance standards, whichever we choose at our sole discretion;

12.2.5. You and each Owner (and, the proposed transferee if it is already our franchisee or the owner of another franchisee or Rust Taco Restaurant) must have execute a general release, in a form satisfactory to us, of any and all claims against us and our Affiliates and our and their respective officers, directors, shareholders, agents and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

12.2.6. You must pay us \$5,000, plus reasonable attorneys' fees, and reimburse us our reasonable expenses incurred to inspect the Restaurant and enforce Section 12.2.4, above;

12.2.7. The transferee must execute our then-current form of Franchise Agreement, the terms of which may be materially different than the terms of this Agreement and may include, among other things, a different percentage Royalty Fee and different advertising obligations. The term of such agreement will be the remaining Term of this Agreement at the time of Transfer. If the transferee wishes to increase the term of the Franchise Agreement, then we may elect to require the transferee pay to us the pro-rated amount of the initial franchise fee that corresponds to the number of years being added to the term. If the transferee is a legal entity, then the transferee's Owners each must sign our standard form of Guaranty and Personal Undertaking;

12.2.8. The transferee must comply with our then-current initial training requirements;

12.2.9. If we introduced the buyer to you, you must pay all fees due us under our then-current franchise resale policy or program; and

12.2.10. If we consent to the Transfer contemplated by this Section 12.2, and if for any reason the Transfer does not close, you must reimburse us for our reasonable attorneys' fees incurred in conjunction with the abandoned Transfer.

12.3. **Transfers Void.** Any purported Transfer, by operation of law or otherwise, made without compliance with the requirements of this Article 12, will be considered null and void and will be considered a material breach of this Agreement.

12.4. **Security Interest.**

12.4.1. You may use this Agreement as collateral to secure repayment of your loan only to the limited extent permitted by Section 9-408 of the Uniform Commercial Code. Any such security interest may only attach to an interest in the proceeds of the operation of the Restaurant and may not entitle or permit the secured party to take possession of or operate the Restaurant or to Transfer your interest in the franchise without our consent. It may not restrict, in any way, our rights to collect fees owed under this Agreement or to enforce the provisions of this Agreement. You agree to provide us with a copy of any proposed loan and security agreements at least 10 days prior to their execution.

12.4.2. You hereby collaterally assign to us the lease for the premises on which the Restaurant is located and grant us a security interest in all of the Items and all other assets used in the operation of your Restaurant, including but not limited to inventory, accounts, supplies, contracts, cash derived from the

operation of your Restaurant and sale of other assets, and proceeds and products of all those assets. You agree to execute such other documents as we may reasonably request in order to further document, perfect and record our security interest. If you default in any of your obligations under the Agreement, we may exercise all rights of a secured creditor granted to us by law, in addition to our other rights under the Agreement and at law. If an approved third-party lender requires that we subordinate our security interest in the assets of your Restaurant as a condition to lending you working capital for the construction or operation of your Restaurant, we will agree to subordinate pursuant to terms and conditions determined by us. This Agreement shall be deemed to be a security agreement and financing statement and may be filed for record as such in the records of any county and state that we deem appropriate to protect our interests.

- 12.5. **Private or Public Offerings.** If you are not a natural person and you intend to issue equity interests pursuant to a public or private offering, you must first obtain our written consent, which consent will not be unreasonably withheld. You must provide to us for our review a copy of all offering materials (whether or not such materials are required by applicable securities laws) at least 60 days prior to such documents being filed with any government agency or distributed to potential investors. No offering will imply (by use of the Marks or otherwise) that we are participating in an underwriting, issuance or offering of your securities, and our review of any offering shall be limited to ensuring compliance with the terms of this Agreement. We may condition our approval on satisfaction of any or all of the conditions set forth in Section 12.2 and on execution of an indemnity agreement, in a form we prescribe, by you and any other participants in the offering. For each proposed offering, you shall pay to us a retainer in an amount we determine, which we shall use to reimburse ourselves for the reasonable costs and expenses we incur (including attorneys' fees and accountants' fees) in connection with reviewing the proposed offering.
- 12.6. **Right of First Refusal.** If you receive a bona fide offer to purchase your interest in this Agreement or all or substantially all of the assets of the Restaurant, or if any Owner receives a bona fide offer to purchase equity interests in you, and you or such Owner wishes to accept such offer, you or the Owner must deliver to us written notification of the offer and, except as otherwise provided herein, we have the option, exercisable within 30 days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party. If the bona fide offer provides for the exchange of assets other than cash or cash equivalents, the bona fide offer must include the fair market value of the assets and you shall submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer. Any material change in the terms of any offer prior to closing will constitute a new offer subject to the same right of first refusal by us as in the case of an initial offer. If we elect to purchase the seller's interest, closing on such purchase must occur by the later of: (a) the closing date specified in the third-party offer; or (b) within 60 days from the date of notice to the seller of our election to purchase. Our failure to exercise the option described in this Section 12.6 will not constitute a waiver of any of the conditions regarding the Transfer set forth in this Article 12.
- 12.7. **Transfer Upon Death or Incapacity.** Upon the permanent incapacity (mental or physical) of your Operating Principal or the death of any of your Owners, the executor, administrator, or personal representative of such person shall, subject to the requirements of this Article 12, complete a Transfer of such person's interests to the heirs of such person within six (6) months after such death or mental incapacity, as applicable; provided, however, that if the heirs of such person are unable to meet the conditions of this Article 12, then the executor, administrator or personal representative will have an additional six (6) months following our disapproval of the heirs to complete a Transfer of such interests to a third party who we approve pursuant to this Article 12. Such Transfer, including, without limitation, a Transfer by devise or inheritance, will be subject to the same conditions as an *inter vivos* Transfer, except that the transfer fee will be waived. If the interests are not disposed of within such period, we may, at our option, terminate this Agreement, pursuant to Section 13.5. Nothing herein is intended to alter your obligation to propose a replacement Operating Principal in accordance with Section 6.2.1 above.

- 12.8. **Non-Waiver of Claims.** Our consent to a Transfer will not constitute a waiver of any claims we may have against the transferring party, and it will not be deemed a waiver of our right to demand strict compliance with any of the terms of this Agreement, or any other agreement to which we and the transferor are parties.

13. **DEFAULT AND TERMINATION**

13.1. **Termination In the Event of Bankruptcy, Insolvency or Transfers Required on Death or Disability.**

You shall be deemed to be in default under this Agreement, and we may terminate this Agreement immediately upon notice, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed and against you and you do not oppose it; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver for you or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if judicial, non-judicial or administrative proceedings to foreclose any lien or mortgage against the premises or assets or equipment of the Restaurant is instituted against you and not dismissed within 30 days; or if the real or personal property of the Restaurant is sold after levy thereupon by any sheriff, marshal, or constable. We will also have the right to terminate this Agreement, immediately on delivery of written notice of termination, if an approved Transfer is not timely completed as required by Section 12.9 regarding Transfers on death or incapacity.

13.2. **Termination With Notice and Without Opportunity To Cure.** We have the right to terminate this Agreement, which termination will become effective upon delivery of notice, without opportunity to cure,

if: (a) your Operating Principal or Restaurant Manager fails to successfully complete training; (b) you fail to open the Restaurant for regular on-going business by the earlier of the Opening Date or the 1st anniversary of the Effective Date; (c) you (i) permanently close your Restaurant for business or inform us of your intention to cease operation of your Restaurant, (ii) fail to actively operate your Restaurant for three (3) or more consecutive days, or (iii) otherwise abandon or appear to have abandoned your rights under this Agreement; (d) you lose any license required to operate the Restaurant or you lose your right to occupy the Restaurant premises; (e) you or any Owner or Restaurant Manager are convicted of, or plead no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on your Restaurant or the System; (f) there is any Transfer or attempted Transfer in violation of Article 12. of this Agreement; (g) you or any Owner fails to comply with the confidentiality or noncompetition covenants in Section 15.1 of this Agreement; (h) you or any Owner has made any material misrepresentations in the Application Materials or otherwise in connection with your franchise application; (i) you fail to comply with notification requirements set forth in Sections 6.1.4 or 6.1.5 concerning investigations and Crisis Management Events; (j) you understate any payment to us by 3% or more, or understate any such payment in any amount, twice in any two-year period; (k) an imminent threat or danger to public health or safety results from the operation of the Restaurant; (l) you knowingly maintain false books or records or submit any false reports or statements to us; (m) you offer unauthorized products or services from the Restaurant premises or in conjunction with the Marks or Copyrighted Works; (n) you purchase Items for which we have identified a Designated Supplier from an unapproved source; (o) you fail to pass two or more quality assurance inspections within any rolling 12-month period; (p) you violate our policies for Restaurant operations, without authorization or permission, on two or more occasions within any rolling 12-month period, including without limitation failure to accurately account for all Gross Sales through the Computer System; (q) you fail to participate in any advertising or marketing program pursuant to Sections 9.6, 9.7, or 9.8, or fail to maintain required hours of operation on two or more occasions without prior written permission, within any rolling 12-month period; (r) you violate any Dram Shop laws; or (t) we deliver to you three or more written notices of default pursuant to this Article 13. within any rolling 12-month period, whether or not the defaults

described in such notices ultimately are cured.

- 13.3. **Termination With 10-Day Cure Period.** We have the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure the following defaults within 10 days after delivery of written notice: (a) failure to obtain or maintain required insurance coverage; (b) failure to pay any amounts due to us or our Affiliates when due; (c) failure to pay any amounts due to the landlord of the Restaurant's premises, your suppliers, or other trade creditors (unless such amount is subject to a bona fide dispute); (d) failure to pay any amounts for which we have advanced funds for or on your behalf, or upon which we are acting as guarantor of your obligations; (e) violation of any provision of this Agreement concerning the use and protection of the Marks or Copyrighted Works; or (f) violation of any provision of this Agreement concerning the preparation, service, appearance, or quality of products or services.
- 13.4. **Termination With 30-Day Cure Period.** Except as otherwise provided in this Article 13., we have the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure any other default not specified in Sections 13.1, 13.2, or 13.3 within 30 days after delivery of written notice.
- 13.5. **Cross-Default.** Any default under any agreement between you or your Affiliates and us or our Affiliates, which you fail to cure within any applicable cure period, will be considered a default under this Agreement and will provide an independent basis for termination of this Agreement.
- 13.6. **Additional Remedies.** In addition to, or in lieu of, termination of this Agreement, in our sole discretion, we may require the Restaurant to be closed during any cure period relating to a default based on public health and safety concerns.

14. **OBLIGATIONS UPON TERMINATION OR EXPIRATION**

- 14.1. **Cease Use of Intellectual Property.** Upon termination or expiration of this Agreement, you shall immediately cease all use of the Marks, Copyrighted Works, and Confidential Information. You shall cancel any assumed name registration containing the Marks. You shall, at our option and request, assign to us all rights to all email addresses, URLs, domain names, Internet listings, business directory listing, and Internet accounts related to the Restaurant. You hereby appoint us as your attorney-in-fact with full power and authority for the sole purpose of assigning these rights to us. This appointment will be deemed to be coupled with an interest and will continue in full force and effect until the termination or expiration of this Agreement.
- 14.2. **Assignment of Lease; De-Identification.** At our request, you shall assign to us or our designee your interest in the lease, including your interest in all leasehold improvements, without additional compensation. If we do not request assignment of the lease before or as of the date of expiration or termination of this Agreement, then within 10 days after termination or expiration of this Agreement, you shall modify the Restaurant premises (including, without limitation, the changing of the color scheme and other distinctive design features, and the changing of and assigning to us of, the telephone numbers) as may be necessary to distinguish the appearance of the Restaurant from that of other Rusty Taco Restaurants, and shall make such specific additional changes to the Restaurant as we may reasonably request for that purpose. We shall also have the right, at our option and at your expense, to enter the Restaurant premises and take all actions necessary to de-identify the premises as a Rusty Taco Restaurant, including, but not limited to, removing all signs, advertising materials, displays, proprietary equipment and inventory, and any other items which display the Marks or are indicative of trade dress or Rusty Taco Restaurants. Such costs incurred due to our de-identification efforts must be paid by you immediately upon notice.

- 14.3. **Return of Operations Manual and Other Confidential Information.** You shall immediately deliver to us any hard copies or downloaded electronic copies of the Operations Manual and all other manuals, records, correspondence, files, and any instructions containing Confidential Information relating to the operation of the Restaurant that are in your possession; and all copies thereof (all of which are acknowledged to be our property).
- 14.4. **Pay Accrued Amounts.** You and your Owners must promptly pay all sums owing to us and our Affiliates. Such sums include all damages (including Lost Revenue Damages as described in Section 14.7 below), costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of any default by you, which obligation will give rise to and will remain, until paid in full, a lien in our favor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by you and used by you at the Restaurant during the Term of this Agreement.
- 14.5. **Our Right to Purchase Tangible Assets.** We have the option to purchase any or all of the Restaurant's Items and other furniture, fixtures, equipment, and interior and exterior signs at the lesser of your cost or then-current fair market value and may set off against the purchase price any amounts that you owe us. We shall exercise our option by written notice to you, delivered within 10 days following the date of expiration or termination of this Agreement.
- 14.6. **Trademark Infringement.** If you fail to comply with a written notice of termination sent by us and a court later upholds such termination of this Agreement, if such termination was disputed by you, your operation of the Restaurant, from and after the date of termination stated in such notice, will constitute willful trademark infringement and unfair competition by you, and you shall be liable to us for damages resulting from such knowing and intentional infringement in addition to any fees paid or payable hereunder, including, without limitation, any profits which you derived from such post termination operation of the Restaurant.
- 14.7. **Liquidated Damages.** You agree that we will suffer compensable damages including, among others, the amount of the Royalty Fee and Fund contributions we would have received, and for which we bargained in entering into this Agreement, if you terminate this Agreement without cause or we terminate this Agreement because of your breach (the "**Lost Revenue Damages**"). You and we acknowledge that, because Royalty Fee and Fund contributions are calculated primarily as a percentage of the Restaurant's Gross Sales, it will be impossible to calculate Lost Revenue Damages once the Restaurant ceases operation. To bring certainty to the actual amount of Lost Revenue Damages, you and we agree that Lost Revenue Damages will equal the net present value of: (1) the lesser of 36 or the number of calendar months remaining on the Term absent the termination, multiplied by (2) the sum of the Royalty Fee and Fund contribution percentages in effect as of the termination date, multiplied by (3) the average monthly Gross Sales of the Restaurant during the 24 full calendar months immediately preceding the termination date, minus (4) any cost savings we experienced as a result of the termination; provided, however, that (i) if, as of the termination date, the Restaurant had not opened for business or had operated for fewer than 12 full calendar months, the average monthly Gross Sales will equal the 24-month average Gross Sales of all Rusty Taco Restaurants that had operated for the full 24 calendar months immediately preceding termination of this Agreement; (ii) if, as of the termination date, the Restaurant operated for at least 12 but fewer than 24 full calendar months, monthly average Gross Sales will equal the highest monthly Gross Sales achieved by the Restaurant during the period in which it operated, and (iii) if the termination was based on your unapproved closure of the Restaurant, average monthly Gross Sales, as described above, would be measured from closure date rather than the termination date.

You and we acknowledge and agree that (a) our agreement on the calculation of Lost Revenue Damages is a reasonable determination of actual damages we will suffer in the event of a termination as described above and is not a penalty, and (b) Lost Revenue Damages represent only lost Royalty Fees and Fund contributions, and the right to recover such damages is not exclusive of and does not replace any other rights we have under this Agreement or Applicable Laws if this Agreement is terminated as described

above, including the right to seek other damages we suffer as a result of a termination as described above or the events on which such termination was based.

15. COVENANTS

15.1. **Noncompetition During Term of Agreement.** You and each Owner acknowledge that you and each Owner will receive access to customers of Rusty Taco Restaurants and valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques and trade secrets of pertaining to the operation of Rusty Taco Restaurants and the System. You and each Owner covenant and agree that during the Term of this Agreement, except as otherwise approved in writing by us, you and, if applicable, such Owner, will not, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, or legal entity:

15.1.1. Divert or attempt to divert any present or prospective customer of a Rusty Taco Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

15.1.2. Own, maintain, advise, operate, engage in, be employed by, make loans to, lease property to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, a Competitive Business (i) anywhere in the world, or (ii) at any location within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which we or our Affiliates have used, sought registration of, or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.

15.2. **Noncompetition After Expiration or Termination of Agreement.** Commencing on the later of: (a) a Transfer permitted under Article 12. of this Agreement, expiration of this Agreement (without renewal), or termination of this Agreement (regardless of the cause for termination); or (b) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 15.2, and continuing for an uninterrupted period of two (2) years thereafter, you shall not either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, lease property to, invest in, provide any assistance to, or have any interest in (as an owner or otherwise) or relationship or association with any Competitive Business that: (i) is, or is intended to be, located at the Location; (ii) is within a five-mile radius of the Location; or (iii) is within a five-mile radius of any other Rusty Taco Restaurant operating under the System and Marks, that is in existence or under development at any location within the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which we or our Affiliates have used, sought registration of, or registered the Marks or similar marks, or operate or license others to operate a business under the Marks or similar marks, at the time of such expiration, termination, or Transfer. If any Owner ceases to be an Owner of the Franchisee for any reason during the Term of this Agreement, the foregoing covenant will apply to the departing Owner for a two-year period beginning on the date such person ceases to meet the definition of an Owner. The time period during which the post-term non-competition obligations in this Section apply will be tolled for any period of noncompliance.

15.3. **Additional Provisions.** You agree that we have the right, in our sole discretion, to reduce the scope of any covenant set forth in Sections 15.1 and 15.2, or any portion thereof, without your consent or the consent of any Owner, effective immediately upon delivery of written notice to the affected party; and you and each Owner agree that you and such person shall comply forthwith with any covenant as so modified. You and each Owner expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Article 15. You agree to pay all costs and expenses (including reasonable attorneys' fees) we incur in connection with the enforcement of this Article 15.

- 15.4. **Covenants from Individuals.** Unless prohibited by Applicable Laws, each individual who attends our training program, has access to our Confidential Information, or whom we otherwise designate, must sign a confidentiality agreement in a form we approve. We also reserve the right to require you to have such persons who are in managerial positions also agree to noncompetition covenants similar to those described in this Article 15 unless such covenants are prohibited under Applicable Laws.
- 15.5. **Breach of Covenants Causes Irreparable Injury.** You acknowledge that the violation of any covenant of this Article 15. would result in irreparable injury to us for which no adequate remedy at law may be available, and you consent to the issuance of, and agree to pay all court costs and reasonable attorneys' fees incurred by us in obtaining, without the posting of any bond, an *ex parte* or other order for injunctive or other legal or equitable relief with respect to such conduct or action.
- 15.6. **Exception for Publicly Held Companies.** The foregoing restrictions will not apply to your ownership or any Owner's ownership of less than a 5% beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

16. REPRESENTATIONS

- 16.1. **Our Representations.** We represent and warrant that: (a) we are duly organized and validly existing under the law of the state of our formation; (b) we are duly qualified and authorized to do business in each jurisdiction in which our business activities or the nature of the properties we own requires such qualification; and (c) the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within our corporate power and have been duly authorized.
- 16.2. **Representations of Franchisee.** You represent and warrant to us that:
- 16.2.1. the ownership information set forth in Attachment A is accurate and complete in all material respects, and you will notify us in writing prior to any change in such information;
- 16.2.2. (a) you are duly organized and validly existing under the law of the state of your formation; (b) you are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification; (c) your organizational charter and governing documents will at all times provide that your activities are confined exclusively to the operation of the Restaurant; (d) neither you nor any of your Affiliates or Owners own, operate, or have any financial or beneficial interest in any business in Competitive Business; and (e) the execution of this Agreement and the performance of the transactions contemplated by this Agreement are permitted under your charter and governing documents;
- 16.2.3. you have conducted an independent investigation of the franchise opportunity and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent on your ability as an independent businessperson; and
- 16.2.4. neither you nor your Owners, officers, directors, managers, partners, agents, or employees, or their respective interests therein is now and will not be, during the Term, (a) identified, either by name or an alias, pseudonym, or nickname, on any of the lists of restricted or denied parties maintained by the United States government, or (b) in violation of any law prohibiting money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (<http://epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (<http://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.pdf>), or any similar law.

17. NOTICES

- 17.1. **Notices.** All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (i) at the time delivered by hand, (ii) at the time delivered via computer transmission and, in the case of the Royalty Fees, Fund contributions, and other amounts due, at the time we actually receive electronic payment, or (iii) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery. Notices must be sent to you as shown on the attached Data Sheet or the most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable during the Term to send notices to you at the address of the Restaurant. Notices to us must be sent to the address shown on the first page of this Agreement, Attention: President, with a copy (which shall not constitute notice) to Legal Department.

18. CONSTRUCTION OF AGREEMENT

- 18.1. **Entire Agreement.** This Agreement, and any other agreements executed by the parties concurrently with the parties' execution of this Agreement, represents the entire fully integrated agreement between the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written. Notwithstanding the foregoing, nothing in this Agreement will disclaim or require you to waive reliance on any representation that we made in the franchise disclosure document (including its exhibits and amendments) that we delivered to you in connection with this franchise offering. Except for those changes permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to in writing by the parties and executed by their authorized officers or agents.

The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in California, Illinois, Indiana, Maryland, Michigan, Minnesota, Virginia, or Wisconsin: 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.

- 18.2. **No Waiver.** No delay, waiver, omission, or forbearance on our part to exercise any right, options, duty, or power arising out of any breach or default by you or any of your Owners under this Agreement will constitute a waiver by us to enforce any such right, option, duty, or power against you or your Owners, or as to a subsequent breach or default by you or any of your Owners.
- 18.3. **Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement.
- 18.4. **Survival of Terms.** Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement will survive such expiration or termination.
- 18.5. **Definitions and Captions.** Unless otherwise defined in the body of this Agreement, capitalized terms have the meaning ascribed to them in Attachment B ("**Additional Definitions**"). All captions in this Agreement are intended for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision of this Agreement.

- 18.6. **Persons Bound.** This Agreement will be binding on the parties and their respective successors and assigns. Each Owner shall execute our then-current form of Guaranty and Personal Undertaking. Our current form is attached as Attachment C. Failure or refusal to do so will constitute a breach of this Agreement. You and each Owner shall be joint and severally liable for each person's obligations hereunder and under the Guaranty and Personal Undertaking.
- 18.7. **Rules of Construction.** Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. Terms used in this Agreement shall be construed and interpreted according to their ordinary meaning. If any provision of this Agreement is susceptible to two or more meanings, one of which would render the provision enforceable and the other(s) which would render the provision unenforceable, the provision will be given the meaning that renders it enforceable.
- 18.8. **Business Judgment.** Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy such obligations whenever we exercise reasonable business judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available.
- 18.9. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one agreement.
- 18.10. **Remedies Cumulative.** All rights and remedies of the parties to this Agreement are cumulative and not alternative or in addition to and are not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure, or default or threatened breach, failure, or default of any term, provision, or condition of this Agreement or any other agreement between you and any of your Affiliates and us and any of our Affiliates. The rights and remedies of the parties to this Agreement will be continuing and will not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of our rights pursuant to Article 13. of this Agreement will not discharge or release you or any of your Owners from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement. Additionally, you and your Owners will pay all courts costs and reasonable attorneys' fees and costs we incur in obtaining any remedy available to us for any violation of this Agreement.
- 18.11. **No Third-Party Beneficiary.** Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer rights to or upon any person or legal entity who is not a party to this Agreement.
- 18.12. **No Liability for Related Parties.** You agree that none of our past, present, or future directors, officers, employees, incorporators, members, partners, stockholders, subsidiaries, Affiliates, controlling parties, entities under common control, ownership, or management, vendors, service providers, agents, attorneys, or representatives will have or will have any liability for: (a) any of our obligations or liabilities relating to or arising from this Agreement; (b) any claim against us based on, in respect of, or by reason of, the relationship between you and us; or (c) any claim against us based on any of our alleged, unlawful acts or omissions.

19. **APPLICABLE LAWS; DISPUTES; ARBITRATION**

19.1. **Choice of Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*) or other federal law, this Agreement will be governed by and construed in accordance with the laws of the State of Delaware without regard to its conflict of law rules, except that any law regulating the offer or sale of franchises, business opportunities, or similar interests or governing the relationship between you and us will not apply unless its jurisdictional requirements are met independently without reference to this Section.

19.2. **Requirement to Submit Disputes to Arbitration.** We and you agree that all controversies, disputes, or claims between us or any of our Affiliates, and our and their respective owners, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to:

- (a) this Agreement or any other agreement between you (or any of your owners) and us (or any of our Affiliates);
- (b) our relationship with you;
- (c) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our Affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 19.3, which we and you acknowledge is to be determined by an arbitrator, not a court); or
- (d) any Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA’s then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our or, as applicable, our successor’s or assign’s then-current principal place of business (currently, Costa Mesa, California). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 *et seq.*). The interim and final awards of the arbitrator shall be final and binding upon each party and may be enforced in any court of competent jurisdiction.

The arbitrator has the right to award or include in an award any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys’ fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys’ fees and costs. We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

ARBITRATION PROCEEDINGS WILL BE CONDUCTED ON AN INDIVIDUAL BASIS. NO ARBITRATION PROCEEDING MAY BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION

PROCEEDING, (III) JOINED WITH ANY SEPARATE CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON BEHALF OF ANY PARTY BY ANY ASSOCIATION OR AGENT. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of the Agreements.

We and you agree that, in any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use.

The provisions of this Section are intended to benefit and bind certain third-party non-signatories.

The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of the Agreement.

Any provisions of this Article 19 that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

- 19.3. **Non-Exclusivity of Remedy.** No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.
- 19.4. **Waiver of Jury Trial.** We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us against the other, whether or not there are other parties in such action or proceeding.
- 19.5. **Waiver of Punitive Damages.** The parties hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.
- 19.6. **Right to Injunctive Relief.** Nothing contained in this Agreement will bar our right to seek injunctive relief from any court of competent jurisdiction; and you agree to pay all costs and reasonable attorneys' fees we incur in obtaining such relief.
- 19.7. **Attorneys' Fees.** If either party commences a legal action (including an arbitration) against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.
- 19.8. **Limitation of Claims & Class Action Bar.** You and your owners agree not to bring any claim asserting that any of the Marks are generic or otherwise invalid. 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 THE AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THE AGREEMENT 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 CLAIMS. The parties understand that such time limit might be shorter than otherwise allowed by law. You and your owners agree that your and their sole recourse for claims arising between the parties shall be against us or our successors and assigns. You and your owners agree that our and our Affiliates' members, managers, shareholders, directors, officers, employees, and agents shall not be personally liable nor named as a party in any action between us or our Affiliates and you or your owners. No previous course of dealing shall be admissible to explain, modify, or contradict the terms of the Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of the Agreement.

WE AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

- 19.9. **Consent to Jurisdiction.** Subject to Section 19.2 above and the provisions below, we and you agree that all controversies, disputes, or claims between us or any of our affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or our relationship with you must be commenced exclusively in state or federal court closest to our (or our successor's or assign's, as applicable) then-current principal place of business (currently, Costa Mesa, California), and the parties irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, the parties agree that any of us may enforce any arbitration orders and awards in the courts of the state or states in which you are or the Restaurants is located.

[Signature Page to Follow]

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

RUSTY TACO FRANCHISING, LLC

[FRANCHISEE]

By: _____
Name: _____
Title: _____
Date*: _____

By: _____
Name: _____
Title: _____
Date: _____

*This is the Effective Date

[Signature Page to Franchise Agreement]

ATTACHMENT A
DATA SHEET

1. Effective Date of Agreement: _____

2. Franchisee:

Name:	
Address:	
Attention:	
Email Address:	
Phone:	
Type of Entity:	
Date of Formation:	
State of Formation:	
Operating Principal:	

3. Franchisee Owners [Section 16.2.1]:

Name	Address	Type of Interest	Percentage Held

4. Initial Franchise Fee [Section 4.1]: \$_____

5. Fund Contribution Rate (percentage of Gross Sales) [Section 2.2]: _____

6. Initial Restaurant Manager: _____

7. Location Address [Section 1.1]: _____

8. Site Selection Area [Section 3.1]: (check one):

N/A

Development Area identified in the Multi-Unit Development Agreement dated _____, between us and _____

The area shown on the following map:

[insert map]

9. Protected Territory [Section 1.2]: (check one):

One-mile radius surrounding the Location with the front door of your Restaurant serving as the center point of the circle; or

___ radius for Locations located in densely populated urban area; or

No Protected Territory (Non-Traditional Location)

10. Opening Date: _____

11. **Additional Terms or Modifications to the Agreement**. The following terms, if any, supplement or amend the provisions of the Agreement and will control in the event of any conflicts:

[insert as applicable]

RUSTY TACO FRANCHISING, LLC

[FRANCHISEE]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date*: _____

Date: _____

*This is the Effective Date

ATTACHMENT B
ADDITIONAL DEFINITIONS

“**Affiliate**” means an affiliate of a named person identified as any person or entity that Controls, is Controlled by, or is under common Control with such named person.

“**Agreement**” means the Franchise Agreement.

“**Applicable Laws**” means all federal, state and local laws, ordinances, regulations, and governmental orders related to the development or operation of your Restaurant.

“**Application Materials**” means the information you and, if applicable, your owners provide to us to support your request for a Franchise including information about your and, if applicable, your owners’ background, experience, skills, financial condition, and resources available to acquire a Franchise and to develop and operate a Rusty Taco Restaurant.

“**Business Day**” means each day other than a Saturday, Sunday, U.S. holiday or any other day on which the Federal Reserve is not open for business in the United States.

“**Competitive Business**” means any restaurant or other food service business deriving more than 10% of its revenue (excluding revenue derived from the sale of alcoholic beverages) from the sale of Mexican-inspired food, other than a Rusty Taco Restaurant operated pursuant to a then-currently effective Franchise Agreement with us or our Affiliate.

“**Confidential Information**” means all non-public information about the System and the operation of Rusty Taco Restaurants (including your Restaurant), some of which may constitute trade secrets under Applicable Law, regardless of whether it is marked “confidential,” including the Standards (and other methods, formats, specifications, standards, systems, procedures, techniques, market research, customer data, knowledge, and experience used in developing, promoting and operating Rusty Taco Restaurants and the products they offer and sell), and other elements of the System; all customer information; all information contained in the Operations Manual; site selection criteria; growth and development plans, strategies and forecasts related to the System; training and operations materials; knowledge of and specifications for, and vendors of, Items and other products and supplies; any software or other technology which is proprietary to us, our Affiliates, or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other materials generated by, the software or other technology; knowledge of the operating results and financial performance of Rusty Taco Restaurants (including your Restaurant).

“**Contact Identifiers**” means each telephone or facsimile number, directory listing, and any other type of contact information used by or that identifies or is associated with your Restaurant.

“**Control**” means the ability, either alone or as part of a group that has agreed to act in concert, to determine the outcome of decisions regarding the management or policies of an entity, whether by voting power, Applicable Laws, or authority granted in the entity’s governing documents.

“**Controlling Interest**” means: (a) if you are a corporation or a limited liability company, that the Owners, either individually or cumulatively (i) directly or indirectly own at least 51% of the shares of each class of the franchisee entity’s issued and outstanding capital stock or membership units, as applicable; and (ii) are entitled, under its governing documents and under any agreements among the Owners, to cast a sufficient number of votes to require such entity to take or omit to take any action which such entity is required to take or omit to take under this Agreement; or (b) if you are a partnership, that the Owners (i) own at least 51% interest in the operating profits and operating losses of the partnership as well as at least 51% ownership interest in the partnership (and at least 51% interest in the shares of each class of capital stock of any corporate general partner); and (ii) are entitled

under its partnership agreement or Applicable Laws to act on behalf of the partnership without the approval or consent of any other partner or be able to cast a sufficient number of votes to require the partnership to take or omit to take any action which the partnership is required to take or omit to take under this Agreement. Any interest less than 51% of the corporation, limited liability company, or partnership is a **“Non-Controlling Interest.”**

“Copyrighted Works” means works of authorship which are owned by us or our Affiliates and fixed in a tangible medium of expression including, without limitation, the content of the Operations Manual, the design elements of the Marks, menus, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and the content and design of System Websites.

“Crisis Management Event” means any event that occurs at or about the Restaurant premises or in connection with the operation of the Franchised Business that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, data breaches, real or threatened, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

“Development Agreement” means the form of agreement prescribed by us and used to grant to our developers the right to acquire multiple Franchises for the development of Rusty Taco Restaurants within a certain geographical area, including all attachments, exhibits, riders, guarantees, or other related documents, all as amended from time to time.

“Dram Shop Laws” means laws that regulate the sale of alcohol to minors and/or to those who have consumed or appear to have consumed alcohol in an amount above the legal limits.

“Franchise” means the right and license to develop, own and operate a Rusty Taco Restaurant pursuant to a Franchise Agreement.

“Franchise Agreement” means the form of agreement we use from time to time to grant to franchisees the right to own and operate a single Rusty Taco Restaurant, including all attachments, exhibits, riders, guarantees, or other related instruments, all as amended from time to time.

“Gross Sales” means the total revenue attributable to and receipts from all services and products and all income of every other kind and nature related to your Restaurant, whether or not in compliance with the Franchise Agreement, including income related to catering operations and special events and the full value of meals provided to your bona fide employees as a benefit of their employment (except you may deduct from Gross Sales the value of any employee discounts that are given during the week in which the meals are provided), whether for cash or credit, barter or exchange, and regardless of collection in the case of credit. Gross Sales does not include (a) sales (or similar) taxes that you collect from your customers, if you transmit them to the appropriate taxing authority, promotions, voids, and discounts; (b) proceeds from isolated sales of trade fixtures that are not part of the products and services you offer and that do not have any material effect on the operation of your Restaurant; (c) tips or gratuities that Restaurant customers pay directly to your employees or to you which you then turn over to these employees in lieu of direct tips or gratuities; or (d) returns to shippers or manufacturers. Revenue from the purchase or redemption of gift certificates, gift cards, loyalty or similar programs is calculated as part of Gross Sales in accordance with our then-current guidelines for such programs. Gross Sales also includes all insurance proceeds you receive to replace revenue that you lose from the interruption of the operation of your Restaurant.

“Including” means including, without limitation.

“Incapacity” means physical, emotional, or mental injury or illness which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least 90 consecutive days and from which the person suffering the incapacity is not likely to recover within 90 the date of determination of the incapacity, as determined by a licensed practicing physician upon examination of the

person, or if the person refuses to submit to an examination, then such person automatically will be deemed to be incapacitated as of the date of such refusal.

“**Marks**” means certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “**Rusty Taco**®” and such other trade names, service marks, and trademarks as are now designated and which we may hereafter designate, in writing, for use in connection with the System.

“**Non-Traditional Location**” means a physical location that (1) is part of a larger venue or facility, (2) is not generally and easily accessible to the general public, or (3) whose operating hours are limited to those imposed by the owner or operator of the venue in which it sits (for example, military bases, shopping malls, hotels, school and college campuses, airports, train stations, travel plazas, toll roads, beaches, parks and other seasonal facilities, government buildings and establishments, prisons, hospitals, convenience stores, trucks, casinos, sports or entertainment venues or stadiums, and retail shop locations being sublet under a lease to a master concessionaire).

“**Online Presence**” means use of any Marks (a) on the Internet, (b) as part of any URL or domain name, (c) as part of a user name on any gaming website, social networking website, or discounting website, (d) in any unauthorized email address, (e) as part of any unauthorized software application, or (f) on any branded merchandise, whether sold or given away.

“**Opening Date**” means the earlier of (a) the date on which your Restaurant generates revenue from operations whether or not in compliance with this Agreement, or (b) the 120th day following the date on which you take or by which you were required to have taken possession of the Location. The Opening Date may be reflected in Attachment A or in any other form of written communication from us that defines the Opening Date.

“**Operations Manual**” means the compilation of information and knowledge that is necessary and material to the System. The term “Manual,” as used in this Agreement, includes all publications, materials, drawings, memoranda, videotapes, CDs, DVDs, MP3s, and other electronic media that we from time to time may loan or otherwise make available to you. The Manual may be supplemented or amended from time to time by letter, electronic mail, bulletin, videotape, CD, DVD, MP3, or other communications concerning the System to reflect changes in the image, specifications, and Standards relating to developing, equipping, furnishing, and operating a Rusty Taco® Restaurant.

“**Owner**” means each individual or entity holding a beneficial ownership in the franchisee. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust.

“**Proprietary Products**” means recipes and menu items that incorporate our trade secrets and proprietary information and products and ingredients that are manufactured according to our proprietary specifications.

“**Protected Territory**” means the area around your Restaurant as described on Attachment A hereto or, if your Restaurant is not approved when you and we sign this Agreement, they area that we describe in our notice of approval of your proposed Location.

“**Restaurant Manager**” means the person who is in charge of the day-to-day, on-site operations of the Restaurant.

“**Standards**” means regulations and requirements we specify from time to time, which may regulate every aspect of the development and operation of a Rusty Taco Restaurant, including: specified business formats, methods, procedures, designs, layouts, standards, menus, ingredients, recipes, packaging materials, and other specifications; the geographical area in which you can provide catering and delivery services; sales, marketing, advertising and promotional programs and materials and media used in these programs; staffing levels and employee qualifications, training, dress and appearance (although employee selection and promotion, hours worked, rates of pay and other benefits, work assigned and working conditions are your sole responsibility); use and display of

the Marks; the appearance of your Restaurant (including its interior, exterior and perimeter) and any vehicles used in the operation or promotion of your Restaurant; days and hours of operation; methods of payment that your Restaurant may accept from customers; participation in market research and product and service testing programs; participation in gift and loyalty card programs; menus, including product offerings, appearance, and inclusion of nutrition information; bookkeeping, accounting, data processing and record keeping systems and forms; formats, content and frequency of reports to us of sales, revenue, and financial performance and condition; participation in quality assurance and customer satisfaction programs; types, amounts, terms and conditions of insurance coverage required for your Restaurant, including criteria for your insurance carriers; approved music systems, wi-fi and other wireless Internet and communications systems, and interactive displays and screens that may be installed in the Restaurant premises; responses to and handling of Crisis Management Events; and any other aspects of operating and maintaining your Restaurant that we determine to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Rusty Taco Restaurants.

“**System**” means the entire system of Rusty Taco Restaurants.

“**Term**” means, unless sooner terminated as provided in this Agreement, the period beginning on the Effective Date and ending on the 10th anniversary of the Opening Date.

“**Transfer**” means the appointment of a third-party manager to assume day-to-day responsibility for the operation of the Restaurant or the sale, assignment, transfer, conveyance, give-away, pledge, mortgage, or other disposition or encumber of any direct or indirect interest in the Agreement (including, without limitation, any or all of your rights or obligations under it), your Restaurant or its assets (other than in the ordinary course of business), your right to possession of the premises on which the Restaurant is located, or any direct or indirect ownership interest in you (regardless of its size).

RUSTY TACO FRANCHISING, LLC
FRANCHISE AGREEMENT

ATTACHMENT C
GUARANTY AND PERSONAL UNDERTAKING

1. I have read the Franchise Agreement between Rusty Taco Franchising, LLC (“”) and _____ (“**Franchisee**”), having an Effective Date of _____.
2. I own a beneficial interest in Franchisee and would be considered an “**Owner**” within the definition contained in the Franchise Agreement.
3. I understand that were it not for this Guaranty and Personal Undertaking (“**Guaranty**”), Franchisor would not have agreed to enter into the Franchise Agreement with Franchisee.
4. I will comply with all of the provisions contained in Article 7. of the Franchise Agreement concerning the Franchisee’s use of the Marks and Copyrighted Works (as those terms are defined in the Franchise Agreement). I understand that, except for the license granted to Franchisee, I have no individual right to use the Marks or Copyrighted Works, and I have no ownership interest in the Marks or Copyrighted Works.
5. I will comply with all of the provisions contained in Article 8. of the Franchise Agreement concerning the use of the Confidential Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except: (a) to Franchisee’s employees on a need-to-know basis; (b) to Franchisee’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations; and (c) as otherwise may be required by law.
6. I will comply with all of the provisions contained in Article 12. of the Franchise Agreement concerning the transfer of my ownership interest in the Franchise Agreement and/or in Franchisee.
7. While I am an Owner of Franchisee and, for a two-year period after I cease to be an Owner (or two years after termination or expiration (without renewal) of the Franchise Agreement, whichever occurs first), I will not:
 - (a) Divert or attempt to divert any present or prospective customer of a Rusty Taco® Restaurant to any competitor by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or
 - (b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, restaurant or other food service business deriving more than 10% of its revenue (excluding revenue derived from the sale of alcoholic beverages) from the sale of Mexican food, other than a Rusty Taco Restaurant operated pursuant to a then-currently effective Franchise Agreement. This restriction will apply, while I am an Owner everywhere in the world. This restriction will apply for two years after I cease to be an Owner (or two years after termination or expiration of the Franchise Agreement, whichever occurs first) to any location that: (i) is, or is intended to be, located at the location of the Restaurant; (ii) is within a five- mile radius of the Restaurant; or (iii) is within a five-mile radius of any other Rusty Taco Restaurant operating under the System and Marks, that is in existence or under development at any location within the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its

Affiliates have used, sought registration of, or registered the Marks or similar marks, or operate or license others to operate a business under the Marks or similar marks, at the time of such expiration, termination, or transfer. The time period relating to the restrictions set forth in this Section will be tolled during any period of my noncompliance.

8. I agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.

9. I understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Guaranty, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

10. I agree that the provisions contained in Article 19. of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

11. I hereby guarantee the prompt and full payment of all amounts owed by the Franchisee under the Franchise Agreement.

12. I will pay all amounts due under this Guaranty within 14 days after receiving notice from Franchisor that the Franchisee has failed to make the required payment. I understand and agree that Franchisor need not exhaust its remedies against the Franchisee before seeking recovery from me under this Guaranty.

13. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies will in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

14. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND/OR THE OFFER OR GRANT OF THE FRANCHISE.**

15. **I ACKNOWLEDGE AND AGREE THAT THE FRANCHISE AGREEMENT REQUIRES THAT ANY DISPUTES ARISING OUT OF THE FRANCHISE AGREEMENT BE SUBMITTED TO ARBITRATION AND THAT THOSE PROVISIONS ALSO APPLY TO DISPUTES REGARDING THIS GUARANTY.**

16. I understand that Franchisor's rights under this Guaranty will be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under Applicable Laws. I further understand and agree that my obligations under this Guaranty are joint and several as to other signatories to this Guaranty

17. I agree that any notices required to be delivered to me will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (i) at the time delivered by hand, or (ii) one (1) business

day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery. I may change my address only by delivering to Franchisor written notice of the change.

Intending to be legally bound, I have executed this Guaranty and Personal Undertaking on the date set forth below:

GUARANTOR

Guarantor's Name, an Individual

Date: _____

Address: _____

RUSTY TACO FRANCHISING, LLC
FRANCHISE AGREEMENT

ATTACHMENT D
LEASE ADDENDUM

This Lease Addendum (“Addendum”) is entered into by the undersigned Landlord and Tenant on the dates set forth below.

RECITALS

- A. The parties have entered into a Lease Agreement dated _____, 20__, (“Lease”) for the premises located at _____ (“Premises”).
- B. Landlord acknowledges that Tenant has agreed to operate a Restaurant at the Premises pursuant to Tenant’s Franchise Agreement (“Franchise Agreement”) with Rusty Taco Franchising, LLC, a Delaware limited liability company (“Franchisor”), under the name “Rusty Taco®” or other name Franchisor designates (“Restaurant”).
- C. The parties desire to amend the Lease in accordance with the terms and conditions contained in this Addendum to provide Franchisor the opportunity to preserve the Premises as a Rusty Taco®-branded restaurant as provided herein.

AGREEMENT

Landlord and Tenant agree to amend the Lease as follows:

1. Remodeling and Decor. Landlord agrees that Tenant has the right to remodel, equip, paint, and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises as Tenant is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Tenant may operate a Restaurant on the Premises. Any remodel of the building and/or its signs shall be subject to Landlord’s prior and reasonable approval.
2. Assignment by Tenant.
 - (a) Tenant does not have the right to sublease or assign the Lease to any third party without Franchisor’s and Landlord’s written approval.
 - (b) So long as Tenant is in good standing under the Lease, Tenant has the right to assign all of its right, title, and interest in the Lease to Franchisor, its Affiliates, or its parent company during the term of the Lease, including any extensions or renewals, without first obtaining Landlord’s consent. No assignment will be effective, however, until Franchisor or its designated Affiliate (“Franchisor Entity”) gives Landlord written notice of its acceptance of the assignment. Franchisor will be responsible for the lease obligations incurred after the effective date of the assignment.
 - (c) If a Franchisor Entity elects to assume the Lease, under this subparagraph or unilaterally assumes the lease as provided for in subparagraph 3(a) or 4, Landlord and Tenant agree that (i) Tenant will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to the date of assignment and assumption, and (ii) the Franchisor Entity will have the right to sublease the Premises to another franchisee with Landlord’s prior reasonable approval, provided the franchisee meets Franchisor’s then-current standards and requirements for franchisees and agrees to operate the Restaurant as a Rusty Taco®-branded restaurant pursuant to a Franchise Agreement with Franchisor. Upon receipt by Landlord of an assumption agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions, and agreements on the part of Tenant to be performed under the Lease, the Franchisor Entity shall thereupon be released from all liability as

tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by Landlord.

3. Default and Notice.

(a) Landlord shall send Franchisor copies of all notices of default it gives to Tenant concurrently with giving such notices to Tenant. If Tenant fails to cure any defaults within the period specified in the Lease, then Landlord shall promptly give Franchisor written notice thereof, specifying the defaults Tenant failed to cure. Franchisor has the right, but not the obligation, to unilaterally assume the Lease if Tenant fails to cure such defaults. Franchisor shall have 15 days from the date it receives such notice to exercise, by written notice to Landlord and Tenant, its right for Franchisor or a Franchisor Entity to assume the Lease. Franchisor shall have an additional 15 days from the expiration of Tenant's cure period in which to cure the default or violation.

(b) All notices to Franchisor must be sent by registered or certified mail, postage prepaid, to the following address:

General Counsel
Rusty Taco Franchising, LLC
3191 Red Hill Avenue, Suite 200
Costa Mesa, California 92626

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.

4. Termination, Non-Renewal, Expiration. If the Franchise Agreement is terminated for any reason during the term of the Lease or any extension thereof, a Franchisor Entity will have the right, but not the obligation, to unilaterally assume the Lease by giving Landlord written notice. Not more often than three times per year, Franchisor may request of Landlord, and Landlord shall, within 15 business days after being requested to do so, execute, acknowledge and deliver to Franchisor an instrument, certifying (a) that the Lease is unmodified and in full force and effect (or, if there has been any modification thereof, that it is in full force and effect as so modified, stating therein the nature of such modification); and (b) as to whether any notice of default has been given by either Landlord or Tenant, which default has not been cured; and acknowledging and agreeing that any statement contained in such certificate may be relied upon by Franchisor. Not more often than three times per year, Landlord may request of Franchisor, and Franchisor shall, within 15 business days after being requested to do so, execute, acknowledge, and deliver to Landlord an instrument, certifying (a) that the Franchise Agreement is in full force and effect, and (b) as to whether any notice of default has been given by either Franchisor or Tenant under the Franchise Agreement which default has not been cured; and acknowledging and agreeing that any statement contained in such certificate may be relied upon by Landlord.

5. Access to Premises Following Expiration or Termination of Lease. Upon the expiration or termination of the Lease, Landlord will cooperate with and assist Franchisor in gaining possession of the Premises, and if a Franchisor Entity does not elect to enter into a new lease for the Premises with Landlord on terms reasonably acceptable to the Franchisor Entity, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord, except for any damages caused by Franchisor's willful misconduct or gross negligence, to remove all signs, awnings, and all other items identifying the Premises as a Rusty Taco® Restaurant and to make such other modifications (such as repainting) as are reasonably necessary to protect the Rusty Taco® marks and system and repair any damage caused by such removal. In the event Franchisor exercises its option to purchase assets of Tenant, Landlord must permit Franchisor to remove all such assets being purchased by Franchisor.

6. Additional Provisions.

(a) Landlord hereby acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement under which Tenant plans to operate its business and the Tenant would not lease the Premises without this Addendum.

(b) Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and that Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any Affiliate of Franchisor, and that Landlord has entered into this Addendum with full understanding that it creates no duties, obligations, or liabilities of or against Franchisor or any Affiliate of Franchisor, unless and until the Lease is assigned to, and accepted in writing by, Franchisor or a Franchisor Entity.

(c) Franchisor Entity may elect not to assume or be bound by the terms of any amendment to the Lease executed by Tenant without obtaining Franchisor’s prior written approval, which shall not be unreasonably withheld or delayed.

7. Modification. No amendment or variation of the terms of this Addendum is valid unless made in writing and signed by the parties and the parties have obtained the written consent of Franchisor.

8. Reaffirmation of Lease. Except as amended or modified in this Addendum, all of the terms, conditions and covenants of the Lease remain in full force and effect and are incorporated by reference and made a part of this Addendum as though copied herein in full. In the event of any conflict between the terms of this Addendum and those in the Lease, the terms of this Addendum shall control.

9. Beneficiary. Landlord and Tenant expressly agree that Franchisor is a third-party beneficiary of this Addendum.

LANDLORD:

By: _____
Name: _____
Title: _____

TENANT:

By: _____
Name: _____
Title: _____

EXHIBIT D
GENERAL RELEASE

RUSTY TACO FRANCHISING, LLC

GRANT OF FRANCHISOR CONSENT AND RELEASE

Rusty Taco Franchising, LLC (“we,” “us,” or “our”) and the undersigned [franchisee/developer] (“you” or “your”), currently are parties to a certain that certain [franchise agreement/multi-unit development agreement] dated _____, 20____ (the “**Agreement**”). You have asked us to take the following action or to agree to the following request:_____

_____. We have the right under the Agreement to obtain a general release from you and 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 your owners give us the release and covenant not to sue provided below in this document. You and 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, owners, managers, 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, managers, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “Franchisor 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 Franchisor Parties, including without limitation, (1) arising out of or related to the Franchisor Parties’ obligations under the 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 Franchisor Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Franchisor 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.

IF THE FRANCHISE YOU OPERATE UNDER THE AGREEMENT IS LOCATED IN CALIFORNIA OR ANY OF THE RELEASING PARTIES IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST ANY OF THE RELEASED PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR

IT FROM ASSERTING IT AGAINST ANY OF THE RELEASED PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the franchise you operate under the Agreement is located in Maryland or if any of the Releasing Parties is a resident of Maryland, the following shall apply:

All representations requiring prospective franchisees 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.

We also are entitled to 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.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the date stated below.

RUSTY TACO FRANCHISING, LLC
a Delaware limited liability company

By: _____

Name: _____

Title: _____

Dated: _____

FRANCHISEE:

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

By: _____

Name: _____

Title: _____

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY; AND/OR ALL
FRANCHISEE OWNERS):**

Signature

Print Name

Signature

Print Name

EXHIBIT E
LIST OF FRANCHISEES

List of Rusty Taco® Franchisees as of January 1, 2023

	State	City	Location #	Address	Zip	Phone #	Franchisee Entity
1.	AZ	Gilbert	3858	1907 E. Williams Field Road, Suite 108	85295	480-272-8226	SONORAN RESTAURANT GROUP LLC
2.	AZ	Scottsdale	3876	9290 E. Via De Ventura #105	85258	480-291-7020	SONORAN RESTAURANT GROUP #2, LLC
3.	AZ	Tempe	3896	707 S Forest Avenue, Suite 112	85281	480-955-2955	SONORAN RESTAURANT GROUP #3, LLC
4.	CO	Westminster	0695	6515 West 104th Avenue, Suite 100	80020	303-466-3093	DIA DE LOS TACOS 2 LLC
5.	IA	Dubuque	3888	3333 Asbury Rd.	52002	563-287-2922	FLATIN RT DES MOINES, LLC
6.	KS	Lawrence	3894	945 Massachusetts St.	66044	785- 856-8226	FLATIN RT LAWRENCE, LLC
7.	MN	Eagan	3828	3345 Central Park Village Drive	55121	651-756-1786	FRANK EAGAN, LLC
8.	MN	Eden Prairie	3827	13000 Technology Drive	55344	952-500-9769	FRANK EP, LLC
9.	MN	Inver Grove	3773	522 East Hennepin Avenue	55414	612-315-5372	FRANK TACO NORTHEAST, LLC
10.	MN	Maple Grove	3775	6346 Vinewood Lane North	55311	763-355-5064	FRANK MAPLE, LLC
11.	MN	Minneapolis	3776	522 East Hennepin Avenue	55414	612-315-5372	FRANK TACO NORTHEAST, LLC
12.	MN	Minneapolis	3873	1005 4th Street South	55415	612-315-5372	ARAMARK SPORTS ENTERTAINMENT SERVICES
13.	MN	Saint Paul	3774	508 Lexington Parkway South	55105	651-698-2777	FRANENSTEEN TACO, LLC
14.	NE	Lincoln	3877	2600 Pine Lake Road, Suite 1	68516	402-975-2068	USTACO, INC.
15.	NE	Omaha	3809	14919 West Maple Road	68116	402-934-9990	NETACO, INC.
16.	NE	Omaha	3838	12995 West Center Road	68144	402-932-6936	NETACO, INC.
17.	NE	Elkhorn	3893	5331 204 th St., Suite 1	68022	531-710-4476	NETACO, INC.
18.	NM	Albuquerque	3855	6600 Menaul Blvd., Suite T-002	87110	505-313-8319	JJ&D ENTERPRISES, LLC
19.	NM	Albuquerque	3874	5600 Coors Blvd. NW	87120	505-508-5989	DIA DE LOS TACOS LLC
20.	NV	Reno	3932	9780 South Virginia St.	89511	775-376-1085	OCATHAIN PARTNERS, LLC
21.	OH	Beavercreek	3856	2760 Towne Drive	45431	937-306-8080	NORTHWITT, LLC
22.	OH	Dayton	3825	1822 Brown Street	45409	937-938-7384	NORTHWITT, LLC
23.	OH	Maumee	3852	1470 Ford Street	43537	419-887-0831	TACO MAUMEE, LLC

	State	City	Location #	Address	Zip	Phone #	Franchisee Entity
24.	TX	Beaumont	3848	4215 Dowlen Road, Suite A	77706	409-223-1622	ODG, LLC
25.	TX	Dallas	3769	12050 Inwood Road, Suite 110	75244	214-462-7974	GREENBRIAR PRESTON HOLLOW RESTAURANT, LLC
26.	TX	Fort Worth	3830	3206 Winthrop	76116	817-349-0772	GREENBRIAR RIDGLEA RESTAURANT, LLC
27.	TX	Greenbrier	3770	210 East Hickory	76201	940-483-8226	GREENBRIAR DENTON RESTAURANT, LLC
28.	TX	Hurst	3826	775 Grapevine Highway, Suite 400	76054	817-605-9075	GREENBRIAR HURST RESTAURANT, LLC
29.	TX	Midland	3898	3303 N. Midkiff Rd	79705	432-218-6636	LIONS DEN, LLC
30.	TX	Plano	3771	8000 Coit Road	75025	972-244-4047	DOS JOSES, LLC
31.	TX	San Antonio	3892	17026 Bulverde Rd.	78247	210-265-5626	LONE STAR RESTAURANT GROUP, LLC
32.	VA	Midlothian	3863	15816 West Center Main Street	23113	804-594-5345	RVA TACO, LLC
33.	VA	Short Pump	3863	11525 West Broad Street	23233	804-562-3153	RVA TACO, LLC

Franchisees Who Have Signed a Franchise Agreement But Have Not Yet Opened as of January 1, 2023			
State	City	Telephone	Franchisee
GA	Atlanta	702-498-0498	MBC CONCESSIONS
ID	Ammon	801-989-1119	GOOD 2 GO EATS, LLC
IL	Rockford	815-990-1046	BUCKY'S TACOS, LLC
UT	Salt Lake City	303-596-6468	HOME RUN RESTAURANT GROUP, INC.
VA	Chantilly (Dulles Airport)	703-932-0816	AFFINITY, LLC
VA	Norfolk	757-596-6417	TACOS OF HEAVEN, LLC

Rusty Taco Developers as of January 1, 2023		
State	Franchisee	Telephone
IL	BANKS, WES	815-990-1046
IA	FLATIN, LUCAS	785-250-4518
MI	GRUBE, STEVEN R.	419-783-8896
NE	STENDER, STEVE	402-677-3949
NM	HALL, JUSTIN	505-228-3768

Rusty Taco Developers as of January 1, 2023		
NV	CAIN, TAYLOR	775-336-7106
OH	FISHER, DAVID	937-631-3605
TX	ABUSAAB, SHEILA	432-816-4684
TX	LARSH & BESING	210-378-1267
UT	COSPER, SEAN	303-596-6468
VA	DONHAM, KEVIN	804-672-2355
VA	PATEL, FENIL	757-596-6417
GA	TRIPLETT, JUSTIN	407-761-9104

**FRANCHISEES & AREA DEVELOPERS THAT LEFT THE SYSTEM
DURING THE 2022 FISCAL YEAR**

The following franchisees and area developers left the system in the calendar year 2022 or have not communicated with us within 10 weeks of this Disclosure Document's issuance date.

Former Franchisees				
	State	City	Telephone	Franchisee Entity
1.	CO	Arvada*	303-432-0943	DIA DE LOS TACOS 3 LLC
2.	CO	Littleton*	720-981-5841	DIA DE LOS TACOS 4 LLC
3.	GA	Atlanta	678-514-4100	ALLIANCE KITCHEN, LLC (RTC)
4.	IA	West Des Moines*	515-987-2454	FLATIN RT DES MOINES LLC
5.	IN	Lafayette	765-250-5639	AES TACO, LLC
6.	OH	Dayton-Miami Township*	937-938-5632	SOUTHWITT, LLC

*Denotes a franchisee who is still part of the System, but has closed the above-listed Rusty Taco Restaurants

Former Area Developers			
	State	Telephone	Franchisee Name / Entity
1.	TX	214-244-5590	Roach, Christopher Alan

If you buy a Rusty Taco® franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT F

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EXHIBIT G

**LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF
PROCESS**

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of these states.

CALIFORNIA

Department of Financial Protection & Innovation:
Toll Free: 1 (866) 275-2677

Los Angeles

Commissioner of Financial Protection & Innovation
320 West 4th Street
Suite 750
Los Angeles, California 90013
(213) 576-7505

Sacramento

Commissioner of Financial Protection & Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205

San Diego

Commissioner of Financial Protection & Innovation
1455 Frazee Road, Suite 315
San Diego, California 92108
(619) 610-2093

San Francisco

Commissioner of Financial Protection & Innovation
One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8559

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(state administrator)

Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(agent for service of process)

Indiana Secretary of State
200 West Washington Street, Room 201
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6300

(agent for service of process)

Maryland Securities Commissioner
at the Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

(state administrator)

Michigan Attorney General’s Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building
525 West Ottawa Street
Lansing, Michigan 48909
(517) 373-7117

(agent for service of process)

Michigan Department of Commerce,
Corporations, Securities, and Commercial
Licensing Bureau
P.O. Box 30018
Lansing, Michigan 48909

MINNESOTA

(state administrator)

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

(agent for service of process)

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

VIRGINIA

(state administrator)

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

(agent for service of process)

Clerk, State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

(agent for service of process)

Director
Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98501

WISCONSIN

(state administrator)

Securities and Franchise Registration
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-0448

(agent for service of process)

Office of the Secretary
Wisconsin Department of Financial Institutions
P.O. Box 8861
Madison, Wisconsin 53708-8861
(608) 261-9555

EXHIBIT H
STATE ADDENDA AND RIDERS

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
RUSTY TACO FRANCHISING, LLC**

The following are additional disclosures for the Franchise Disclosure Document of Rusty Taco Franchising, LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise law applies to you.

FOR THE FOLLOWING STATES: CALIFORNIA, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, VIRGINIA, OR WISCONSIN.

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.

FOR THE STATE OF CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

3. NEITHER WE, OUR PARENT, PREDECESSOR OR AFFILIATE NOR ANY PERSON IN ITEM 2 OF THE FRANCHISE DISCLOSURE DOCUMENT IS SUBJECT TO ANY CURRENTLY EFFECTIVE ORDER OF ANY NATIONAL SECURITIES ASSOCIATION OR NATIONAL SECURITIES EXCHANGE, AS DEFINED IN THE SECURITIES EXCHANGE ACT OF 1934, 15 U.S.C.A SECTIONS 78A ET SEQ., SUSPENDING OR EXPELLING SUCH PERSONS FROM MEMBERSHIP IN THAT ASSOCIATION OR EXCHANGE.

4. OUR WEBSITE, www.rustytao.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT www.dfpi.ca.gov.

5. The following paragraphs are added at the end of Item 17:

The Franchise Agreement and Development Agreement require you to sign a general release of claims upon renewal or transfer of the Franchise Agreement or Development Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and

Professions Code Sections 20000 – 20043).

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Development Agreement or Franchise Agreement contain a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement and Development Agreement contain a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A Section 101 et seq.).

Under the Franchise Agreement, we reserve the right to require that franchisees comply with maximum and minimum prices it sets for goods and services. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the California's Cartwright Act (Cal. Bus. and Prof. Code §§ 16700 to 16770).

FOR THE STATE OF ILLINOIS

1. The following paragraphs are added to the end of Item 17:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act

FOR THE STATE OF MARYLAND

1. The following language is added at the end of Item 17.

The Development Agreement and Franchise Agreement provide for termination upon bankruptcy. This provision 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.

2. The following is added to the end of Item 17(c) and Item 17(m):

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

3. The following language is added at the end of Item 17(u):

The Development Agreement and Franchise Agreement provide that disputes are resolved through arbitration. 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 Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable

4. The following language is added at the end of Item 17(v):

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

FOR THE STATE OF MINNESOTA

1. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and Development Agreement and 180 days' notice for non-renewal of the Franchise Agreement and Development Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring the Developer or Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document, Development Agreement or Franchise Agreement can abrogate or reduce any of Developer's or Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Developer's or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by Governing Law with respect to claims arising under Minn. Rule 2860.4400D.

FOR THE STATE OF VIRGINIA

1. The following language is added to the end of Item 17(h):

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 Development Agreement or Franchise Agreement does 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.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
DEVELOPMENT AGREEMENT**

**RIDER TO THE RUSTY TACO FRANCHISING, LLC
DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER (this “**Rider**”) is made and entered into by and between **RUSTY TACO FRANCHISING, LLC**, a Delaware limited liability company with its principal business address at 3191 Red Hill, Suite 200, Costa Mesa, California 92626 (“**us**”), and _____, whose principal business address is _____ (“**you**”).

1. **BACKGROUND.** We and you are parties to that certain Development Agreement dated _____, 20__ (the “**Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement, and the Development Agreement is amended only as set forth below. In the event of conflict between the terms of the Development Agreement and this Rider, this Rider shall govern such inconsistency. This Rider is being signed because (a) you are domiciled in the State of Illinois, or (b) the offer of the Development Rights was made or accepted in the State of Illinois and the Development Area is located in the State of Illinois.

2. **DISPUTES.** The following is added to the end of Section 11.8 of the Development Agreement:

Nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

3. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added to the end of the Development Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern this Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a Development Agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a Development Agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a Development Agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Development Agreement.

RUSTY TACO FRANCHISING, LLC

[DEVELOPER]

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

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

THIS RIDER (this “**Rider**”) is made and entered into by and between **RUSTY TACO FRANCHISING, LLC**, a Delaware limited liability company with its principal business address at 3191 Red Hill, Suite 200, Costa Mesa, California 92626 (“us”), and _____, whose principal business address is _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Development Agreement dated _____, 20__ (the “**Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement, and the Development Agreement is amended only as set forth below. In the event of conflict between the terms of the Development Agreement and this Rider, this Rider shall govern such inconsistency. This Rider is being signed because (a) you are a resident of the State of Maryland; or (b) the Development Area is located in the State of Maryland; or (c) the offer to sell the Development Rights was made in the State of Maryland; or (d) the offer to buy the Development Rights was accepted in the State of Maryland.

2. **INSOLVENCY.** The following is added to the end of Section 7.1 of the Development Agreement:

The provision which provides for termination upon your bankruptcy might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

3. **VENUE.** Sections 11.2 and 11.9 of the Development Agreement is supplemented by adding the following to the end of the Section:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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.

4. **LIMITATIONS OF CLAIMS.** The following is added to the end of Section 11.8 of the Development Agreement:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. **RELEASES.** The Development Agreement is further amended to state that “All representations requiring prospective franchisees 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.”

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Development Agreement.

RUSTY TACO FRANCHISING, LLC

[DEVELOPER]

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**RIDER TO THE RUSTY TACO FRANCHISING, LLC
DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER (this “**Rider**”) is made and entered into by and between **RUSTY TACO FRANCHISING, LLC**, a Delaware limited liability company with its principal business address at 3191 Red Hill, Suite 200, Costa Mesa, California 92626 (“us”), and _____, whose principal business address is _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Development Agreement dated _____, 20__ (the “**Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement, and the Development Agreement is amended only as set forth below. In the event of conflict between the terms of the Development Agreement and this Rider, this Rider shall govern such inconsistency. This Rider is being signed because (a) the Development Area is wholly or partly in the State of Minnesota; and/or (b) you either a resident of, domiciled in, or actually present in the State of Minnesota.

2. **INJUNCTIVE RELIEF.** The following language is added to the end of Section 11.6 of the Development Agreement:

Notwithstanding the foregoing, a court will determine if a bond is required.

3. **LIMITATIONS OF CLAIMS.** The following is added to the end of Section 11.8 of the Development Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

4. **MINNESOTA LAW.** Notwithstanding anything to the contrary contained in the Development Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Development Agreement.

RUSTY TACO FRANCHISING, LLC

[DEVELOPER]

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE RUSTY TACO FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS (this “**Rider**”) is made and entered into by and between **RUSTY TACO FRANCHISING, LLC**, a Delaware limited liability company with its principal business address at 3191 Red Hill, Suite 200, Costa Mesa, California 92626 (“us”), and _____, whose principal business address is _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Development Agreement dated _____, 20__ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement, and the Franchise Agreement is amended only as set forth below. In the event of conflict between the terms of the Franchise Agreement and this Rider, this Rider shall govern such inconsistency. This Rider is being signed because (a) you are domiciled in the State of Illinois, or (b) the offer of the franchise is made or accepted in the State of Illinois and the Restaurant that you develop under your Franchise Agreement is or will be operated in the State of Illinois.

2. **LIMITATIONS OF CLAIMS.** Section 19.8 of the Franchise Agreement are amended by adding the following:

However, nothing contained in this section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

3. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added to the end of the Franchise Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern this Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement.

RUSTY TACO FRANCHISING, LLC

[FRANCHISEE]

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

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

THIS RIDER (this “**Rider**”) is made and entered into by and between **RUSTY TACO FRANCHISING, LLC**, a Delaware limited liability company with its principal business address at 3191 Red Hill, Suite 200, Costa Mesa, California 92626 (“us”), and _____, whose principal business address is _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Development Agreement dated _____, 20__ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement, and the Franchise Agreement is amended only as set forth below. In the event of conflict between the terms of the Franchise Agreement and this Rider, this Rider shall govern such inconsistency. This Rider is being signed because (a) you are a resident of the State of Maryland; or (b) the Restaurant that you develop under your Franchise Agreement is or will be operated in the State of Maryland; or (c) the offer to sell is made in the State of Maryland; or (d) the offer to buy is accepted in the State of Maryland.

2. **RELEASES.** The following is added to the end of Sections 2.1, 3.7, and 12.2.5 of the Franchise Agreement:

Pursuant to COMAR 02.02.08.16L, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. **INSOLVENCY.** The following is added to the end of Section 13.1 of the Franchise Agreement:

This Section might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

4. **VENUE.** Sections 19.2 and 19.9 of the Franchise Agreement is supplemented by adding the following to the end of the Section:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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.

5. **LIMITATIONS OF CLAIMS.** The following is added to the end of Section 19.8 of the Franchise Agreement:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. **RELEASES.** The Franchise Agreement is further amended to state that “All representations requiring prospective franchisees 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.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement.

RUSTY TACO FRANCHISING, LLC

[FRANCHISEE]

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**RIDER TO THE RUSTY TACO FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER (this “**Rider**”) is made and entered into by and between **RUSTY TACO FRANCHISING, LLC**, a Delaware limited liability company with its principal business address at 3191 Red Hill, Suite 200, Costa Mesa, California 92626 (“us”), and _____, whose principal business address is _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Development Agreement dated _____, 20__ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement, and the Franchise Agreement is amended only as set forth below. In the event of conflict between the terms of the Franchise Agreement and this Rider, this Rider shall govern such inconsistency. This Rider is being signed because (a) the Restaurant that you will develop under the Franchise Agreement will be operated wholly or partly in the State of Minnesota; and/or (b) you either a resident of, domiciled in, or actually present in the State of Minnesota.

2. **INTEREST ON LATE PAYMENTS.** The following language is added to the end of the first paragraph of Section 4.10 of the Franchise Agreement:

Notwithstanding the foregoing, you and we acknowledge that under Minnesota Statute 604.113 your penalty for an insufficient funds check will be limited to \$30 per occurrence.

3. **RELEASES.** The following is added to the end of Sections 2.1, 3.7, and 12.2.5 of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. **RENEWAL AND TERMINATION.** The following is added to the end of Sections 2 and 13 of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

5. **LOST REVENUE DAMAGES.** The following language is added to the end of Section 14.7 of the Franchise Agreement

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

6. **INJUNCTIVE RELIEF.** Section 19.7 of the Franchise Agreement is deleted and replaced with the following:

Notwithstanding the foregoing, a court will determine if a bond is required.

7. **LIMITATIONS OF CLAIMS.** The following is added to the end of Section 19.8 of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

8. **MINNESOTA LAW.** Notwithstanding anything to the contrary contained in the Franchise Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement.

RUSTY TACO FRANCHISING, LLC

[FRANCHISEE]

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT I

REPRESENTATION & ACKNOWLEDGMENT STATEMENT

REPRESENTATION & ACKNOWLEDGMENT STATEMENT

DO NOT SIGN THIS QUESTIONNAIRE IF YOU ARE LOCATED, OR YOUR FRANCHISED BUSINESS WILL BE LOCATED IN: CALIFORNIA, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, VIRGINIA, OR WISCONSIN.

The purpose of this Statement is to demonstrate to **RUSTY TACO FRANCHISING, LLC**, a Delaware limited liability company (“Franchisor”) that the person(s) signing below (“I,” “me” or “my”), whether acting individually or on behalf of any legal entity established to acquire the development and/or franchise rights (“Franchisee”), (a) fully understands that the purchase of a Rusty Taco Restaurant franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”) with which you were provided prior to signing the Agreement in deciding to purchase the franchise.

In that regard, I represent to Franchisor and acknowledge that:

<p>I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.</p>	<p>INITIAL:</p>
<p>I acknowledge that I have had the opportunity to personally and carefully review the FDD and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.</p>	<p>INITIAL:</p>
<p>Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.</p>	<p>INITIAL:</p>
<p>My decision to purchase the Franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.</p>	<p>INITIAL:</p>
<p>I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.</p>	<p>INITIAL:</p>

PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED.

INITIAL:

Have you received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any statement, promise or assurance concerning the likelihood of success) other than information contained in the FDD?

Yes No (Initial Here: ____)

If you selected "Yes," please describe the information you received on the lines below:

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;
2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;
3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or
4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

[Signature page follows]

Sign: _____
Name: _____
Capacity: Individually, and for and on behalf of
[Franchisee Name]

Sign: _____
Name: _____
Capacity: Individually, and for and on behalf of
[Franchisee Name]

Sign: _____
Name: _____
Capacity: Individually, and for and on behalf of
[Franchisee Name]

EXHIBIT I

RECEIPTS

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	May 5, 2023
Minnesota	Pending
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending
Washington	Not Registered
Wisconsin	May 5, 2023

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 Development Agreement and Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Rusty Taco Franchising, LLC 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. Under Iowa law, Rusty Taco Franchising, LLC must give you this Disclosure Document at the earlier of the 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan law, Rusty Taco Franchising, LLC must provide this Disclosure Document at least 10 business 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.

If Rusty Taco Franchising, LLC 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 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 G.

Issuance date: May 5, 2023

The Franchisor is Rusty Taco Franchising, LLC, located at 3191 Red Hill, Suite 200, Costa Mesa, CA 92626. Its telephone number is (949) 812-7817.

The franchise seller who offered you a Rusty Taco franchise is:

- | | | |
|---|---|---|
| <input type="checkbox"/> Brendan Mauri
Rusty Taco Franchising, LLC,
3191 Red Hill, Suite 200, Costa
Mesa, California 92626
(949) 812 7817 | <input type="checkbox"/> _____
Rusty Taco Franchising, LLC,
3191 Red Hill, Suite 200, Costa
Mesa, California 92626
(949) 812 7817 | <input type="checkbox"/> _____
Rusty Taco Franchising, LLC,
3191 Red Hill, Suite 200, Costa
Mesa, California 92626
(949) 812 7817 |
|---|---|---|

Rusty Taco Franchising, LLC authorizes the respective state agencies identified on Exhibit G to receive service of process for it in the particular state.

I received a disclosure document dated May 5, 2023 that included the following Exhibits:

- | | |
|-----------------------------------|--|
| Exhibit A – Financial Statements | Exhibit F – Table of Contents of Operations Manual |
| Exhibit B – Development Agreement | Exhibit G – State Administrators/Agents for Service of Process |
| Exhibit C – Franchise Agreement | Exhibit H – State Addenda and Agreement Riders |
| Exhibit D – General Release | Exhibit I – Representation & Acknowledgment Statement |
| Exhibit E – List of Franchisees | Exhibit J – Receipts |

PROSPECTIVE FRANCHISEE:

If a business entity:	If an individual: _____
Name of Business Entity:	(Print Name): _____
By: _____	Dated: _____
Its: _____	
(Print Name): _____	
Dated: _____	

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and return it by mail to General Counsel, Rusty Taco Franchising, LLC, located at 3191 Red Hill, Suite 200, Costa Mesa, CA 92626; or by email to franchise@rustytaco.com.

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If a business entity: _____ If an individual: _____

Name of Business Entity: _____ (Print Name): _____

By: _____ Dated: _____

Its: _____

(Print Name): _____

Dated: _____

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and keep it for your records.