**FRANCHISE DISCLOSURE DOCUMENT**
**TACO BELL EXPRESS**
**TACO BELL FRANCHISOR, LLC**
**A Delaware Limited Liability Company**
**1 Glen Bell Way**
**Irvine, California 92618**
**(949) 863-4500**
**www.tacobell.com/company**
**Email: recruiting@tacobell.com**

The licensee will operate a Taco Bell Express Unit offering inexpensively priced, quality Mexican-style food for take-out eating. Taco Bell Express Units are situated at locations which are inappropriate (*e.g.*, because of size or layout constraints) for our Traditional Units.

The initial investment necessary to begin operation of a Taco Bell Express Unit ranges from $227,500 to $590,100 for a Custom Façade Unit, including $22,500 that must be paid to the licensor and $2,000 to $5,000 that must be paid to its affiliate for the first unit only. For a Power-Pumper or In-Line Unit, the total investment ranges from $320,950 to $711,100, including $22,500 that must be paid to the licensor and $3,500 to $5,000 that must be paid to its affiliate for the first unit only. The total investment necessary to begin operation of an existing restaurant ranges from $152,250 to $1,766,250 or more, excluding real property, all of which must be paid to licensor or an affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Franchise Recruiting, 1 Glen Bell Way, Irvine, CA 92618 or 949-863-4433.

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

Buying a franchise is a complex investment. The information in this 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 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, DC 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 be laws on franchising in your state. Ask your state agencies about them.

Issuance date: March 25, 2022

## 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 F. |
| **How much will I need to invest?** | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| **Does the franchisor have the financial ability to provide support to my business?** | Item 21 or Exhibit G includes financial statements. Review these statements carefully. |
| **Is the franchise system stable, growing or shrinking?** | Item 20 summarizes the recent history of the number of company-owned and franchise outlets. |
| **Will my business be the only Taco Bell 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 Taco Bell franchisee?** | Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

## What You Need To Know About Franchising *Generally*

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

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

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

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

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have to 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 provided in Exhibit A.

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

## Special Risk(s) to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Orange County, California. Out of state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to sue us in Orange County, 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.

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## Item 1

## THE LICENSOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

### The Licensor and its Parents

Taco Bell Franchisor, LLC is the licensor and is referred to as “we” or “us.” The buyer of a license will be referred to as "you" or “Licensee,” including if you are a corporation, limited liability company, partnership, or other entity, and includes the entity’s owners.

Disclosure laws require all disclosure documents to be written in “plain English.” The use of different words in this disclosure document, which we will sometimes refer to as the “FDD,” from the words used in the agreements themselves to describe the parties’ rights and obligations is not intended to diminish or modify in any way the rights and obligations stated in the agreements themselves.

We are a Delaware limited liability company formed on February 23, 2016. We conduct business under the names Taco Bell and Taco Bell Express. Our principal business address is 1 Glen Bell Way, Irvine, California 92618.

Our predecessor and intermediate corporate parent is Taco Bell Corp. (“TBC”), a corporation organized in the state of California in 1962. TBC also conducts business under the names Taco Bell and Taco Bell Express. TBC’s principal business address is 1 Glen Bell Way, Irvine, California 92618. TBC has been in the quick-service restaurant business for over 55 years, has operated Taco Bell Units since 1962 (when the first such Unit opened) and has operated Taco Bell Express Units since 1991 (when the first such Express Unit opened). TBC had offered and sold franchises in the United States between 1964 and the date on which the financing transaction described below was consummated, which was on May 11, 2016. On that date, we became the franchisor of Taco Bell and Taco Bell Express Units in the United States.

Our other intermediate corporate parent is Taco Bell Funding, LLC, a Delaware limited liability company formed on February 23, 2016 in connection with the financing transaction described below. The principal business address of Taco Bell Funding, LLC is 1 Glen Bell Way, Irvine, California 92618.

Our direct corporate parent is Taco Bell Franchisor Holdings, LLC (“TB Holder”), a Delaware limited liability company formed on March 10, 2016 in connection with the financing transaction described below. The principal address of TB Holder is 1 Glen Bell Way, Irvine, California 92618.

Our ultimate corporate parent is YUM! Brands, Inc. (“YUM”). YUM’s offices are located at 1441 Gardiner Lane, Louisville, Kentucky 40213.

Our agents for service of process are listed in Exhibit A to this disclosure document.

### Our Affiliates and Parents that Offer Franchises/Licenses or Provide Products/Services

The following are our affiliates that either (a) offer franchises or licenses within the United States or (b) provide products or services to you if you are located in the United States.

The number of restaurants that each affiliate operates or franchises, as described in the following table, includes multi-brand restaurants in which more than one brand is operated.

| Name and Address | Business |
|---|---|
| Taco Bell Corp. (“TBC”)<br>1 Glen Bell Way<br>Irvine, CA 92618 | Formed in 1962, our predecessor and intermediate corporate parent company provides certain services and, acting on our behalf as our designated manager and predecessor pursuant to a Management Agreement (as described in more detail below), fulfills certain of our obligations and duties to you under your Taco Bell Franchise Agreement. |
| Yum Restaurant Services Group, LLC (“YRSG”)<br>7100 Corporate Drive<br>Plano, TX 75024 | Formed on November 18, 1996, YRSG provides and consolidates common services to YUM’s restaurant companies and its subsidiaries, including us, such as accounting, data processing, purchasing, restaurant and nontraditional development. |
| YUM! Brands, Inc. (“YUM”)<br>1441 Gardiner Lane<br>Louisville, KY 40213 | Our ultimate parent company provides certain services to us and our subsidiaries on a consolidated basis, and also provides certain services to our franchisees and licensees. |
| Pizza Hut, LLC (“Pizza Hut”)<br>7100 Corporate Drive<br>Plano, TX 75024 | A Delaware limited liability company organized on May 20, 2016, Pizza Hut operates and franchises “Pizza Hut” restaurants, which specialize in the pizza distribution business. As of December 27, 2021, Pizza Hut operated 21 traditional Pizza Hut restaurants, 98 franchisees operated 5,295 traditional restaurants and 146 licensees operated a total of 1,298 express restaurants. Pizza Hut has not offered franchises in any other line of business, with the exception of the WingStreet franchises, but may do so in the future. |

| | |
|---|---|
| KFC US, LLC ("KFC") and subsidiaries<br>1900 Colonel Sanders Lane<br>Louisville, KY 40213 | Together with its predecessors, have operated and franchised KFC restaurants that specialize in quick-service chicken entrée items and side items since 1952. As of December 27, 2021, KFC and its subsidiaries operated 47 traditional KFC restaurants, 495 franchisees operated 3,872 traditional restaurants, and 25 licensees operated 35 non-traditional restaurants. During the past ten-year period immediately preceding the date of this disclosure document, KFC has not offered franchises in any other line of business. |
| HBG Franchise, LLC<br>17320 Red Hill Ave.<br>Suite 140<br>Irvine, CA 92614 ("HBG") | A Delaware limited liability company organized on February 13, 2013. HBG franchises, and through its affiliates operates, "Habit Burger Grill" restaurants offering made-to-order chargrilled burgers, sandwiches and more for take-out and on-premises seating. As of December 28, 2021, HBG's affiliate operated 276 Habit Burger Grill restaurants. A total of 26 traditional Habit Burger Grill restaurants were operated by 7 franchisees and 5 non-traditional restaurants were operated by 4 licensees. HBG has not offered franchises in any other line of business, but may do so in the future. |
| GCTB, LLC | Our affiliate and a wholly owned subsidiary of TBC, GCTB, LLC, manages the Taco Bell Gift Card Program. |

We have a number of additional affiliates that offer franchises, including "Taco Bell" franchises, in foreign countries, and affiliates that provide certain products and services to franchisees who are located and do business in such foreign countries. During the ten-year period immediately preceding the date of this disclosure document, neither we nor our predecessor, TBC, have offered franchises in any other line of business. Unless otherwise stated, the information in this disclosure document does not concern international operations or licensing of Taco Bell restaurants. Additionally, franchise opportunities in Hawaii, if any, are offered under a separate franchise disclosure document.

**The Financing Transaction and the Management Agreement**

On May 11, 2016, our predecessor, TBC, engaged in a securitization transaction to repay, or to fund a deposit for the payment in full of, certain outstanding indebtedness of affiliates of TBC and to terminate all commitments thereunder. Taco Bell Funding, LLC arranged for an initial deposit and/or for the issuance of an interest reserve letter of credit to fund an initial senior notes interest reserve deposit. Any additional net proceeds were distributed to TBC to pay certain transaction-related expenses, for general corporate purposes and may also be used to return capital to shareholders of Yum! Brands Inc. Follow-on securitization financings occurred in 2018 and 2021.

A securitization transaction involving a franchisor, such as our predecessor TBC, requires that the franchisor restructure itself and form new entities. Thus, immediately upon the closing of the 2016 securitization financing, we became the new "franchisor" of the Taco Bell franchise system with respect to the franchised Taco Bell restaurants in the United States. Also immediately upon the closing of the securitization financing, our affiliate, Taco Bell IP Holder, LLC, had contributed to it and became the owner of substantially all existing and thereafter acquired United States intellectual property related to the Taco Bell brand (including substantially all trademarks, service marks, patents, copyrights, trade secrets, confidential or proprietary information, all social media account names or identifiers and all registrations related thereto (see Items 13-14 of this disclosure document for detailed information regarding the Taco Bell trademarks, service marks, patents, copyrights and proprietary information)). Taco Bell IP Holder, LLC has granted to us a license to use and to sublicense such Taco Bell intellectual property in connection with franchised Taco Bell restaurants.

As a result of the securitization financing transaction, and pursuant to a Management Agreement between TBC, us and certain affiliates, TBC (at all times acting on our behalf) carries out all of our duties and obligations under Taco Bell Franchise and License Agreements governing Taco Bell restaurants situated in the United States. These designated duties include: discharging all of our obligations to franchisees and licensees; managing the Taco Bell system; marketing, offering and negotiating new and renewal Taco Bell Franchise and License Agreements (in TBC's capacity as our "franchise broker"); furnishing assistance to our franchisees and licensees in the United States; establishing and/or providing our quality assurance programs; and otherwise, on our behalf, fulfilling all duties which we owe under Taco Bell Franchise and License agreements governing Taco Bell restaurants in the United States. As the post securitization manager of the Taco Bell network, TBC also administers the Taco Bell national advertising fund governing entity, National Advertising Fund Administration ("NAFA").

If, at any time, TBC fails to perform its obligations to Taco Bell franchisees or licensees pursuant to the Management Agreement between TBC and us, then TBC may be replaced as manager of the Taco Bell franchise network. However, as franchisor, we will always be ultimately responsible for ensuring that all duties and obligations owed to Taco Bell franchisees and licensees under Taco Bell Franchise and License Agreements, respectively, are fulfilled.

## Our Business and the License Offered

We grant non-exclusive rights ("licenses") to you to operate, by utilizing the Taco Bell name, trademarks, tradenames, trade secrets, logotypes, commercial symbols, service marks, and other intellectual property (the "Trademarks"), a variety of quick-service consumer feeding facilities presenting various items of inexpensively priced, quality Mexican-style food for take-out and on-premises eating by the general public. We and our affiliates operate facilities of the same kind, as well as other types of feeding facilities. You will be an independent business person and will assume all business risk associated with operating a Taco Bell facility.

Traditionally, Taco Bell buildings include a kitchen facility where food is prepared and assembled, a counter where orders are placed, paid for and food is delivered, tables and seats for customers and, frequently, an automobile drive thru ("Traditional Units"). We offer franchises for Taco Bell Traditional Units in our separate disclosure document for Traditional Units.

This disclosure document offers our licenses for less elaborate facilities known as Taco Bell "Express Units." As we determine for each specific location, the Express Unit will offer either the full Taco Bell menu or a limited menu composed of items from the full menu. At some Express Units, a few items from the limited menu are prepared somewhat differently than items of the same or similar name from the full menu. The Express Units are generally known as Custom Facades, Power Pumpers, or In-Lines. Custom Facades include stand-alone units constructed on sites within larger buildings and permanently constructed installations of various configurations taking advantage of available space in various types of locations. Power Pumpers are Express Units with several of the above features that share a facility with a gas and convenience store and In-Lines are Express Units that also include the other above features but may or may not have a drive thru. In our discretion, certain Power Pumpers or In-Lines may be categorized as Traditional Units; franchises for these restaurants will be offered under our disclosure document for Traditional Units. For the purposes of this disclosure document we will describe the Express Units only, which we will occasionally refer to as the Units or Express Units. Several other versions of Taco Bell Express Units that have been and will in the future be tested, developed, and operated by us or our affiliates, are not now available to licensees.

We have identified several categories of locations for the Express Units: colleges and universities, some dual brand facilities, airports, In-Line locations, gas and convenience stores with a drive thru, Power-Pumper locations, and other types of Express Units. The standard terms and conditions for the operation of Express Units are described in the License Agreement (the "License Agreement") (see Exhibit B-1).

Under the License Agreement for new Express Units, the length of the term is 10 years, the royalty rate is 10% of Gross Sales and the initial license fee is $22,500. On occasion we or our affiliate will offer one or more existing KFC/Taco Bell units ("2N1 Units" or "KT Units") for purchase by certain licensees or franchisees. Under the Taco Bell License Agreement for existing KT Units purchased from us or an affiliate, the length of the term generally ranges from 9 months to 5 years but may be longer in certain instances, the royalty rate is 10% of Gross Sales and the initial license fee for the Taco Bell portion of an existing KT Unit is prorated for the specified term calculated at the rate of $2,250 for each partial or full year. We reserve the right in our sole and absolute discretion to modify the initial license fees and/or royalty rate on a temporary or permanent basis for atypical locations or unusual development or operational circumstances.

As specified in the License Agreement, you will have the right to use some or all of our Trademarks and to operate an Express Unit for a limited period of time. License Agreements may be offered on varying terms as appears appropriate in our discretion.

You must operate your facilities according to methods, standards, and procedures (the "System") that we provide in minute detail. The System is the sole property of us and our affiliates and is embodied in the Franchise Operations Manual, commonly referred to as the Answer System (the "Manual"). We will provide the Manual to you via electronic access to a confidential website, which website also contains our on-line training courses, commonly referred to as OneSource. You agree that it is your responsibility to provide access to the website to those of your employees (but no other persons) for whom the website is intended by us. Your failure to follow the System as described in the Manual is a breach of the License Agreement.

We may periodically revise and update the System as we deem advisable, and with each revision, you must follow the System as it is revised. The revisions may have the effect of requiring you, without your consent, to alter fundamentally the way in which you operate your Unit.

A number of factors increase the business risk to the successful operation of Taco Bell Units over and above the competition from other feeding facilities. For instance, the Taco Bell Express Units that are located within larger facilities are especially dependent for their own success upon the continued successful operation of the larger facilities. We give no assurance that a Taco Bell Unit will be successful, yield positive cash flow, or operate at a profit.

In some cases, we or our predecessor have authorized our licensees to sell products of an affiliated

quick service restaurant concept (*e.g.*, KFC or Pizza Hut), from a Taco Bell Express Unit, which unit is commonly known as a 2n1or 3n1. We no longer offer new 2n1 or 3n1 unit development. Should you be approved to purchase from us or an affiliate an existing 2n1/KT Unit, you will be required to sign the then-current form of License Agreement or franchise agreement for the Taco Bell portion of the Unit. Franchise agreements are offered under and described in a separate franchise disclosure document.

To incentivize licensees to develop we currently offer the Walmart Test Incentive Program. Walmart captive locations pose a large opportunity for incremental restaurant growth at a lower investment than traditional freestanding development. They can be used as a vehicle to build out trade areas that are still green and growing or to infill markets that are already penetrated.

The Walmart Test Incentive cannot be combined with other incentive programs applicable to locations that operate under a Taco Bell franchise agreement rather than a license agreement, but Taco Bell Restaurants opened under the Walmart Test Incentive Program will count toward determining Net New Units/Growth under the National Incentive program related to your franchise locations during the time period they are open, meaning that these units will help accelerate you to the next National Incentive Tier.

To qualify for the Walmart Test Incentive Program, you must register a restaurant site for an approved Walmart In-Line location and open the restaurant by December 27, 2022. Because the restaurants at these locations will operate under a license agreement, they do not receive the same protections of Taco Bell's Integrated Expansion and Development Policy ("IE Policy") as a franchise location would, and you will not have the same objection rights to nearby development.

If you qualify for the Walmart Test Incentive Program and open the qualifying restaurant by December 27, 2022, we will: (i) waive what would otherwise be an initial franchise fee of $22,500; (ii) provide you with a License Agreement with a 10-year initial term and an option to enter into a successor agreement with a 10-year term, subject to your meeting our then-current successor franchise policy, including completing a successor remodel and paying a successor fee.

Additionally, if the restaurant is one of the first Walmart registrations, you will receive a cash incentive based on the actual registration date: a) $100,000 for the first 25 Walmart registrations in the system; b) $75,000 for the next 26-50 Walmart registrations in the system; c) $50,000 for the next 51-71 Walmart registrations in the system.

In the event you choose to close the restaurant prior to the expiration of the full 10-year initial term, you must pay to us the initial license fee and refund any cash incentive that you received from us.

**Competition and Regulation**

The foodservice industry in which Taco Bell Units compete is characterized by rigorous competition, and the sales made by new feeding facilities must often come at the expense of the sales previously made by existing ones. The industry is sensitive to economic upturns and downturns and to many other factors both within and beyond the control of restaurant operators, *e.g.*, ingredient and capital costs and the availability of labor and supplies. The skill and acumen of the restaurant's operator and staff are critically important. Many ventures fail.

The Taco Bell Units operated by us and/or our affiliates, and the Units operated by you compete directly for business with virtually all other forms of consumer feeding: with other Mexican-style restaurants (both quick-service and other), with other non-Mexican quick-service restaurants and with traditional restaurants of all types. In general, all restaurants, including Express Units, also compete with the sellers of food that is intended to be prepared and eaten at home.

Taco Bell Units also compete with facilities operated or franchised by YUM's other food service concepts, KFC, Pizza Hut and Habit Burger Grill. Periodically, KFC, Pizza Hut and Habit Burger Grill share information with each other and with us about these businesses that may not be available to you or to the general public.

The License Agreement does not provide territorial protection or exclusivity for you, although we may grant such rights in separate transactions or by policy on a temporary basis. If you also own Traditional Units as described above, our Integrated Expansion Policy describes conditions that in some instances could limit or restrict site registrations and restaurant development. The granting of a license does not imply that we will grant additional licenses to you. Except as stated above, we may establish additional facilities anyplace, use the Trademarks anywhere in other ways that may compete with Units operated by you, and establish facilities that have the effect of reducing the sales or profits of facilities operated by you. Likewise, facilities of the KFC, and Pizza Hut chains, and other chains that in the future may come to be controlled in whole or in part by YUM or its divisions and subsidiaries may be established at any location, regardless of the proximity to your Unit.

A variety of regulations, laws, and ordinances govern the operation of a restaurant business. Examples include laws relating to the sale of alcoholic beverages; health and sanitation codes; driver regulations; state and local codes and ordinances covering the discharge of waste and emissions; laws, rules

and regulations concerning "Truth in Menu" (concerning menu item names and product labeling); laws, rules and regulations concerning "Menu Labeling" (requiring nutritional information on menus, menu boards and products); laws, rules and regulations concerning nutritional claims; and the Americans with Disabilities Act of 1990 ("ADA") governing public accommodations. There may be other laws applicable to your business and we urge you to make further inquiries about these laws. You must comply with all local, state, and federal laws and regulations in the operation of your restaurants.

COVID-19 has disrupted and continues to significantly disrupt local, regional and global economies and businesses. The situation regarding COVID-19 is changing rapidly and subject to change. You must, at all times, comply with all applicable laws, rules and orders of any government authority concerning the outbreak and your response. Disruptions to normal economic activity in the coming weeks and months cannot be predicted. We reserve the right to make any adjustments to our services as we may determine necessary, in our sole judgement, from time to time in order to protect health and safety. These adjustments may include, by way of example but without limitation, suspending in-person gatherings such as training, meetings and conferences; instead, such events may be conducted virtually.

## Item 2

## BUSINESS EXPERIENCE

**Chief Executive Officer: Mark King**
Mark King was appointed our Chief Executive Officer effective August 5, 2019. Since July 2018 Mr. King has served as Executive Emeritus for Adidas Group North America, Portland, Oregon where he served as President from June 2014 to June 2018.

**President, Global Chief Operating Officer: Mike Grams**
Mr. Grams was appointed our President, Global Chief Operating Officer in January 2020. From April 2018 to January 2020, Mr. Grams served as Global Chief Operating Officer and General Manager of North America. Prior to that, he served as Chief Operating Officer & Development Officer of TBC from February 2015 to April 2018 and as Chief Operating Officer of TBC from December 2013 to February 2015. Mr. Grams has been based in Irvine, CA for all of these positions.

**Chief Strategy and Finance Officer: Scott Mezvinsky**
Scott Mezvinsky was appointed our Chief Strategy and Finance Officer February 15, 2021. Prior to that he served as General Manager of KFC Iberia based in Madrid, Spain from June 2018 to February 2021. From August 2016 to June 2018 Mr. Mezvinsky was Vice President of Development and Operations for KFC Latin America and Caribbean based in Ft. Lauderdale, Florida. From September 2014 to August 2016 Mr. Mezvinsky served as Chief Development Officer, KFC Latin America and Caribbean based in Ft. Lauderdale, FL.

**Global Chief Legal Officer, Secretary and Director: Julie Davis**
Ms. Davis was appointed our Global Chief Legal Officer in October 2018, was appointed to the Board of Directors of Taco Bell in March 2018, and she has served in those positions since those respective times. She has also served as our Secretary since February 2018. Ms. Davis served as our Vice President and Acting General Counsel from February 2018 to October 2018. Prior to that, she served as our Assistant Secretary from March 2016 to February 2018. Ms. Davis served as our Vice President, Global Franchising, Employment & Compliance Counsel from January 2018 to February 2018; as Senior Director, Global Franchise & HR Counsel of TBC from February 2016 to December 2017; and, as Director, Franchise & HR Counsel of TBC from April 2013 until February 2016. Ms. Davis has been based in Irvine, CA for all of these positions.

## Item 3

## LITIGATION

Our Actions

No litigation is required to be disclosed.

Predecessor, Parent and Affiliate Actions

Nicholas Restaurant Corp. v. Taco Bell Corp. and DOES 1 Through 25, California Superior Court, Orange County, Case No. 30-2021-01233223-CU-BC-CJC

On November 24, 2021, the plaintiff, a licensee of a Taco Bell Express restaurant in Illinois, filed the above complaint against Taco Bell Corp. and its unnamed agents, claiming breach of contract. The plaintiff alleges performance under the contract and that Taco Bell Corp. or its agents committed a breach by denying an extension of its Successor License Agreement for the restaurant location in question. The relief sought is compensatory and incidental damages pending proof but at least $25,000, and attorney's fees and costs if the plaintiff prevails, and any other relief that is proper and just. No conclusions of law or fact have been issued by the court. A case management conference is pending. In March 2022, Taco Bell Corp. filed a

demurrer for failure to plead a cause of action. Taco Bell Corp. believes there is no merit to the allegations and intends to vigorously defend against the allegations.

Franchisor-Initiated Actions Against Franchisees: None.

## Item 4

## BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

## Item 5

## INITIAL FEES

The initial license fee is $22,500. We may modify the initial license fees for atypical locations or unusual development or operational circumstances. These initial license fees are part of the general revenues for us and are not set aside for any particular purpose. The initial license fees are due upon your execution of the License Agreement, are to be paid electronically via the MYTACOBELL website, which web site will be made available once you are approved by us as eligible to become a licensee, and are not refundable.

As described in Item 1, we currently offer to qualifying licensees a Walmart Test Incentive Program for the development of approved In-Line locations. Licensees who qualify for this incentive program will benefit from a number of incentives, one of which (if the conditions are met and followed) is the waiver of what would otherwise be an initial license fee of $22,500.

You apply for a license for a specific location by registering the site on MYTACOBELL and paying a $10,000 non-refundable deposit towards the initial license fee. The deposit as well as other fees due to us is to be paid electronically using K-Rise in the MYTACOBELL website.

After your receipt of notification that we have approved your location and upon ground break of the Unit, the balance of the initial license fee is due. After receipt of payment, we will prepare and send to you for your execution the License Agreement and Release (See Exhibits B-1 and C). If the initial license fee is not paid in full or the license documents are not timely signed and returned to us, we will not approve the opening of the Unit.

On occasion we or an affiliate will sell to certain licensees or franchisees one or more existing restaurants including KT Units operated by us or an affiliate. Where the license is intended for an existing restaurant, the total purchase price for the restaurant may exceed $1,766,250, excluding real property costs, and will include costs for the building, equipment, signs and inventory. The purchase price for the sale of one or more existing restaurants varies and is typically based on a multiple of cash flow. If the restaurant is a KT Unit, the initial license fee will be prorated for the specific term of the License Agreement at a rate of $2,250 for each partial or full year. Additionally, if the sale includes a KT Unit or other multi-brand restaurant, the initial license or franchise fee for the other brand is not included in the purchase price and must be paid separately and you will be required to comply with the other brand's standards and sign additional documentation. You will enter into an Asset Purchase Agreement ("APA") with us or our affiliate in a format substantially similar to that attached as Exhibit I. The APA will define the purchase price and other expenditures and obligations you are to pay or assume to purchase the restaurants covered by the APA. You will be required to pay a deposit that will vary in amount depending on the size of the transaction but is generally 2% of the purchase price. The deposit is refundable only in certain situations as specified in the APA. You may be required to enter into a Development Agreement, in the form similar to that included in the APA (See Exhibit G to the APA), for the development of one or more Units.

When more than one Unit is being sold, the Units are not individually priced but are sold as a group and may or may not include the purchase of the real property. Over the last 3 years, 2019 through 2021, our affiliate, Taco Bell of America, LLC, and/or its affiliates, sold groups of restaurants, ranging from 3 to 11 restaurants with the sales prices ranging from $6.9 million to $42.0 million per group.

To assist you in the design of your first Express Unit that you open, we require that you use the Design Services Program offered by Yum! Brands' Architecture and Engineering Department. The Design Services Fee for a Custom Façade (see Item 7) ranges from $2,000 to $5,000 and for an In-Line or Power Pumper ranges from $3,500 to $5,000, plus an additional cost of $1,000 for a dining area. For this fee, you will receive an electronic Schematic Design Drawing Set that includes an equipment plan, an equipment schedule, and interior elevations. You may also need to purchase a sample board, equipment cut sheet booklet, and printed 11 x17 drawings at an approximate cost of $100 each. Additional renderings, site plan and exterior elevations are also available for purchase. The Design Services Fee is not refundable.

Notes:

A. All drawings are generated in AutoCAD version 2009 and translated into Adobe pdf and supplied electronically.
B. All drawings are provided as *design* drawings, *not* construction documents. Additional site specific detail will need to be added to these drawings by a local architect to obtain the permits needed to begin construction.

## Item 6

## OTHER FEES

| **Column 1**<br>**Type of Fee**<br>(Note A) | **Column 2**<br>**Amount** | **Column 3**<br>**Due Date** | **Column 4**<br>**Remarks** |
|---|---|---|---|
| Royalty<br>(Note D) | 10% of Gross Sales (Note B) | On or before the 5th business day immediately following the accounting period in which the sales were made | Gross Sales means all payments received for sales and services of any nature excluding only sales taxes, employee meals, overrings and refunds to customers. |
| Point of Purchase materials | Depending on the menu approved for use, the fee varies from a low of $110 per module or $990 per year to a high of $205 per module or $1,845 per year. | Payment is due with your order of point of purchase materials | Currently payable to third party vendor |
| BOH and Support Services (Note E) | $1,651 per year | As billed | Payable to us or an affiliate. |
| FOH and Support Services (Note E) | $2,093 per year | As billed | Payable to us or an affiliate. |
| All Access Fee (Note E) | $1,500 per year | As billed | Payable to us or an affiliate. |
| Reimburse-ment of insurance expense | Actual cost of insurance. | As billed | If you fail to obtain insurance as required, we may purchase it for you and bill you for the cost. |
| Extension Fee (Note C) | $750 for a 3-month extension<br><br>$2,250 for a 6-month extension plus $1,000 for each additional month beyond 6 months | Upon execution of Amendment to License Agreement | Only applicable if we agree to temporarily extend the term of License Agreement to allow you additional time to complete a remodel or relocation of the Unit |
| Successor Fee (Note C) | $11,250 | Upon execution of successor agreement | The License Agreement does not provide you with renewal rights, but we have a Successor Franchise Policy currently in effect, subject to modification or cancellation at any time, under which we might agree to enter into a new agreement with you. |
| Late charges | Interest at the lesser of 18% per annum or the highest rate permitted by New York law plus the then-customary late charge. | As billed | Payable on any fees which are not paid when due |
| Additional Trainee Fee | $350 per person | Before beginning of training. | The cost of the training program is included for the first two key operators per Express Unit. However, we may charge the fee set forth in column 2 for any additional trainees and may also charge tuition for training courses that are not mandatory. |

| **Column 1**<br>**Type of Fee**<br>(Note A) | **Column 2**<br>**Amount** | **Column 3**<br>**Due Date** | **Column 4**<br>**Remarks** |
|---|---|---|---|
| Training materials | As established by us. | As billed | We may develop materials for your use for in-store training. You are not required to purchase all of the training materials from us. |
| Cost of audit of your books | Any and all costs incurred in connection with the inspection or audit, including reasonable accounting and legal fees. | As billed | Only due if we inspect your books and find you have understated Gross Sales by 2% or more. |
| Transfer Fee | A transfer of all or a portion of your interest in any Unit is subject to a transfer fee. Minimum fees are listed below and are subject to increase for costs incurred by us, including but not limited to outside counsel fees, in connection with reviewing and effecting the transfer.<br><br>- 3rd party (non-private equity) transfers:<br>1-5 units: $7,500/transfer<br>6 or more units: $1,500/unit<br><br>- 3rd party transfers involving private equity: Greater of non-private equity transfer fee or $150,000<br><br>- Entity restructures: $2,500 total unless changes to the franchise agreement(s) are required, in which case the transfer fee shall be the 3rd party transfer fee.<br><br>Additionally, unique or complex restructures may necessitate a higher fee. | Payable via a wire transfer only at least 2 days prior to the closing date of the proposed transfer.<br><br>For non-private equity transfers, a 50% non-refundable deposit of the appropriate transfer fee payable via a wire transfer may be required upon notice following Taco Bell's initial review of the purchase and sale agreement.<br><br>For private equity transfers, a 50% non-refundable deposit shall be payable to Taco Bell via a wire transfer with the submittal of the fully- executed purchase and sale agreement between the parties. | Transfer of your franchise is subject to our prior written approval. |
| De-identification costs | Actual cost of de-identifying Unit. | As billed | Payable to third party vendor, unless you fail to de-identify your Unit as required upon expiration or earlier termination of the License Agreement, then we may do it for you and bill you for the costs. |
| Attorneys' fees | Prevailing party in any litigation is entitled to reasonable attorneys' fees and costs paid by other party. Outside counsel fees may also be due in connection with review and approval of a transfer of interest. | You must pay us for attorneys' fees, as they are accrued. In the case of a transfer, fees may be payable by you directly | Applicable to litigation proceedings under the License Agreement and in certain instances to transfer of interest reviews. |

| Column 1<br>Type of Fee<br>(Note A) | Column 2<br>Amount | Column 3<br>Due Date | Column 4<br>Remarks |
|---|---|---|---|
| | | to outside counsel. | |
| Liquidated Damages | If License Agreement is terminated for certain specified reasons, you must pay liquidated damages equal to 10% of Unit's Gross Sales for last 12 months of operation or if Licensee has not provided Gross Sales information for the last 12 months, Licensee shall pay $80,000 | You must pay us liquidated damages upon termination of the License Agreement. | |

**Notes:**

(A) All fees are uniformly imposed by us and are payable to us electronically via MYTACOBELL, unless otherwise stated. They are not refundable. Fees paid to us are to be net of any and all withholding, excise, gross receipts, sales, use and other similar taxes (other than state or federal corporate income tax). If any governmental entity imposes a tax, the tax will be due and payable by you to us when you pay the fee.

(B) We reserve the right in our sole and absolute discretion to modify the royalty rate on a temporary or permanent basis for atypical locations or unusual development or operational circumstances.

(C) If you are an existing Licensee, and you request and are granted at our sole discretion a successor license, upon execution of the then-current Successor Agreement you must pay a nonrefundable successor fee in an amount equal to $11,250. Prior to the issuance of a Successor Agreement, we may, at our sole discretion, agree to temporarily extend the term of the License Agreement to allow you additional time to complete a remodel or relocation of the Unit in which case you will be required to pay an additional initial license fee equal to $750 for a 3 month extension, $2,250 for a 6-month extension, plus $1,000 for each additional month beyond 6 months. (See Amendment to License Agreement, Exhibit B-3.)

(D) If a state or local law in which your Unit is located prohibits or restricts in any way your ability to pay and our ability to collect the royalty derived from the sale of alcoholic beverages at your Unit (an "Alcohol Restriction Law"), you will be required to pay whatever increased percentages of all Gross Sales not deriving from the sale of alcohol are necessary so that the royalty you pay equals the royalty you would make if you were not subject to an Alcohol Restriction Law.

(E) These fees are further described in Item 11 under the section entitled Computer and Electronic Technology Equipment.

## Item 7

## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

**CUSTOM FACADES** (May be used in all settings except for In-Lines and Power Pumpers)

| Column 1<br>Type of Expenditure | Column 2<br>Amount | Column 3<br>Method of Payment | Column 4<br>When Due | Column 5<br>To Whom Payment is to Be Made |
|---|---|---|---|---|
| Background Check Fee | $350-$600 per person | Lump Sum | Upon application | Approved third parties |
| Initial License Fee | $22,500 | Lump Sum | $10,000 due upon site registration with balance due on groundbreak | Us or our designated affiliates |
| First Unit Design Services Fee | $2,000 - $5,000 | Lump Sum | Upon execution of the Support Team Evaluation Package | Yum! Brands Architecture and Equipment Dept. |
| Land -First month' s rent | $2,100 - $4,500 | Lump Sum | As incurred | Owner/Lessor |
| Architectural Fees | $1,500 - $25,000 | As Agreed | As incurred | Vendors |
| Equipment Start-Up | $1,000 - $10,000 | Lump Sum | As incurred | Vendors |
| Equipment and Decor | $150,000 - $230,000 | As agreed | As agreed | Vendors |

| Column 1<br>Type of Expenditure | Column 2<br>Amount | Column 3<br>Method of Payment | Column 4<br>When Due | Column 5<br>To Whom Payment is to Be Made |
|---|---|---|---|---|
| Buildout and Construction | $25,000 - $200,000 | As agreed | As agreed | Vendors |
| Signs | $1,000 - $14,000 | As agreed | As agreed | Vendors |
| Shipping & Tax | $1,600 - $15,000 | Lump Sum | As incurred | Vendors |
| Cash Control Systems | $7,000 - $25,000 | Lump Sum | As incurred | Vendors |
| Deposits, Business License, Permits | $500 - $10,000 | Lump Sum | As incurred | Vendors, Gov't agencies |
| Initial Inventory | $3,000 - $8,500 | Lump Sum | As incurred | Vendors |
| Additional Funds (3 mos) | $10,000 - $20,000 | As agreed | As incurred | Vendors, Employees |
| TOTAL | $227,500 - $590,100 | | | |

**POWER PUMPERS & IN-LINES**

| Column 1<br>Type of Expenditure | Column 2<br>Amount | Column 3<br>Method of Payment | Column 4<br>When Due | Column 5<br>To Whom Payment is to Be Made10000+ |
|---|---|---|---|---|
| Back-ground Check Fee | $350-$600 per person | Lump Sum | Upon application | Approved third parties |
| Initial License Fee | $22,500 | Lump Sum | $10,000 due upon site registration with balance due on groundbreak | Us or our designated affiliates |
| First Unit Design Services Fee | $3,500 - $5,000 | Lump Sum | Upon execution of Support Team Evaluation Package | Yum! Brands Architecture and Equipment Dept. |
| Land -First month' s rent | $2,100 - $4,500 | Lump Sum | As incurred | Owner/Lessor |
| Architectural Fees | $8,500 - $45,000 | As agreed | As incurred | Vendors |
| Equipment Start-Up | $5,000 - $10,000 | Lump Sum | As incurred | Vendors |
| Equipment and Decor | $150,000 - $230,000 | As agreed | As agreed | Vendors |
| Buildout and Construction | $100,000 - $275,000 | As agreed | As agreed | Vendors |
| Signs | $3,500 - $40,000 | As agreed | As agreed | Vendors |
| Shipping & Tax | $5,000 - $15,000 | Lump Sum | As incurred | Vendors |
| Cash Control Systems | $7,000 - $25,000 | Lump Sum | As incurred | Vendors |
| Deposits, Business License, Permits | $ 500 - $10,000 | Lump Sum | As incurred | Vendors, Gov't agencies |
| Initial Inventory | $3,000 - $8,500 | Lump Sum | As incurred | Vendors |
| Additional Funds (3 mos) | $10,000 - $20,000 | As agreed | As incurred | Vendors, Employees |
| TOTAL | $320,950 - $711,100 | | | |

Explanatory Notes

All of the payments in the above charts, with the exception of rent, must be paid in a lump sum payment, unless you and the vendor agree otherwise. None of the payments is refundable.

The initial license fee is $22,500 for In-Lines and End Caps. Licensees of In-Line Units who qualify for the Walmart Test Incentive Program (see Item 1) will benefit from a number of incentives, one of which is the waiver of what would otherwise be an initial license fee of $22,500.

The Additional Funds category includes an estimate of the funds needed to cover incremental operating expenses for the initial three months of business, *i.e.*, costs and expenses that generally occur in the startup period of the business above and beyond the standard costs of operation. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Both operating costs and incremental costs associated with the startup phase of the business depend on many factors, including your management skill, experience, and business acumen, the developing experience and efficiency of the crew members, local economic conditions, local market conditions, prevailing wage rates in your community, competition, and the sales level reached in the period covered. Additionally, you are responsible for all costs and expenses associated with the required training, including travel and living expenses, etc. for yourself and your employees. See Item 11.

To determine your total initial investment, you must determine both the type of Express Unit and the location.

We estimate that convenience store locations (Power Pumpers) require a minimum of 1,500 square feet; college/university, airport and mall locations require a minimum of 800 square feet (does not include dining area space); and In-Line locations require a minimum of 2,000 square feet. Please note that these space requirements (excluding the figures for In-Line, airport, mall, and Power Pumper locations) do not include walk-in cooler/freezer or dish wash space.

We relied on our and our predecessor's more than 25 years of experience in the non-traditional concept area to compile these estimates. You should review these figures carefully with a business advisor before you decide to purchase the license. Except as outlined in Item 10 below, we do not offer financing directly or indirectly for any part of the initial investment. Your ability to obtain financing will depend on a number of factors, such as the general availability of financing, your credit worthiness, collateral you may have, and lending policies of individual financial institutions. Other than the late charges specified in Item 6, these estimates do not include any finance charges, interest, or debt service payments.

**PURCHASE OF EXISTING RESTAURANTS FROM US OR AN AFFILIATE**

| Column 1<br>Type of Expenditure | Column 2<br>Amount | Column 3<br>Method of Payment | Column 4<br>When Due | Column 5<br>To Whom Payment is to Be Made |
|---|---|---|---|---|
| Initial Franchise Fee | $2,250 - $11,250 or more | Lump Sum | At time of acquisition close | Us or our designated affiliates |
| Building, Equipment, Signs, and Inventory | $150,000 - $1,755,000 or more | Lump Sum | At Closing | Us or an affiliate |
| Any Leasehold or Other Real Property Interests | Varies | Varies | At Closing | Us or an affiliate |
| Total Purchase Price | $152,250 - $1,766,250 or more | | | |

Where the license is intended for an existing restaurant operated by us or one of our affiliates, the total purchase price for the restaurant may exceed $1,766,250, excluding real property, and will include costs for the building, equipment, signs and inventory. If the restaurant is a KT Unit, the initial license fee will be prorated for the specific term of the License Agreement at a rate of $2,250 for each partial or full year. When more than one Unit is being sold, the Units are not individually priced but are sold as a group and may or may not include purchase of the real property. The purchase price for the sale of one or more existing restaurants varies and is typically based on a multiple of cash flow. If you enter into an asset purchase agreement ("APA") (See Exhibit I) with us or one of our affiliates for the purchase of existing restaurants, you will be required to pay a deposit that will vary in amount depending on the size of the transaction but which is generally 2% of the purchase price. The deposit is refundable only in certain situations as specified in the APA. The APA will define the purchase price and other expenditures and obligations you are to pay or assume to purchase the restaurants covered by the APA. See Item 5 for additional information related to the purchase of existing restaurants.

## Item 8

## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You are not currently required to purchase or lease the products for the establishment and operation of your Unit from us; however, you must purchase or lease certain products according to our specifications and from suppliers approved by us. Essentially 100% of your purchases and/or leases of furniture, fixtures, equipment, smallwares, food and paper products in connection with the establishment and operation of the Unit must be made in accordance with our specifications.

We have established quality standards and/or specifications for the food, paper goods, packaging, point-of-sale materials, signs, equipment, smallwares, fixtures and other goods, supplies and related services ("Products") that are used in the operation of the Units. You are not allowed to use Products from any vendor, manufacturer, grower or assembler (together referred to as "Vendors") or any dealer, distributor, common carrier, wholesaler, retailer or warehouseman (together referred to as "Distributors"), unless the Vendor or Distributor has been approved in advance by us. McLane Foodservice, Inc. ("McLane") is currently the authorized Distributor of food/supply items to us and our affiliates throughout the country; there may also be regionally approved Distributors of food/supply items depending on your location. Wasserstrom and RSCS Equipment Sales and Services are approved Distributors for equipment and smallwares as well as certain Computer and Information Technology hardware. Neither we nor our affiliates are currently approved suppliers or the only approved supplier for any Products or services, except

for Yum! Brands' Architecture and Engineering Department which is the only approved supplier for the required Design Service Program. With the exception of certain training materials that you must purchase from McLane, you may purchase Products or services from any approved Vendor or Distributor.

In 2021, the revenues earned by YRSG for development services provided to Taco Bell franchisees were $274,000. No revenues were earned by YUM Architecture and Engineering Department for development services provided to Taco Bell licensees.

None of our officers or any other person identified in Item 2 directly or indirectly owns any interest in or controls any approved Vendor or Distributor, other than those who may own, for investment purposes only, up to 5% of the capital stock of an approved Vendor or Distributor that is a publicly held business entity whose shares are listed and traded on a national or regional stock exchange or through the National Association of Securities Dealers Automated Quotation System ("NASDAQ") where this ownership does not give the person any ability to control or influence the Vendor or Distributor.

You must use only Products that meet or exceed our specifications. The specifications for the point-of-sale materials, signs, equipment, smallwares and fixtures are provided to us for distribution to you by the equipment Distributors. Your use of inferior or non-specification Products, or any Products from an unapproved Distributor or Vendor, regardless of the source, is a very serious and material failure to perform the obligations of the License Agreement and can lead to the loss of the license. Where specifications have not been published, you must still take care to use only Products which are at least of equal quality to those used by us. Published specifications for food products are available upon request from our designated Quality Assurance Department and are supplied to the approved Vendors and Distributors as appropriate in order to help preserve their confidentiality. Taco Bell Global Engineering provides the specifications for the equipment and Taco Bell Architectural and Engineering provides specifications for the fixtures. Specifications for Products are set by our designated Quality Assurance Department to ease the burden of product selection by you and to ensure that quality of foodservice will be consistently high across all Units. All specifications are subject to our review and modification at any time. We estimate that the required purchases and/or leases are approximately 85% to 95% of the cost to establish a Unit and approximately 42% of operating expenses.

**Approval/Disapproval of Distributors**

We have the right under the License Agreement and the Manual to approve or disapprove in advance any Vendor or Distributor from whom you would purchase or lease the Products. We currently allow you to purchase Products from any Distributor or Vendor approved by us, whether or not we purchase Products from that Distributor or Vendor. We will provide you with a list of approved Vendors and Distributors upon request. We reserve the right to change the approved Vendors and Distributors at any time and to designate ourselves, our affiliates, or a third party as an approved Vendor or Distributor or the exclusive approved Vendor or Distributor for any particular Product. We are prepared to consider applications for the approval of new Vendors and Distributors as described below, and will notify the Vendor or Distributor of our approval or disapproval, in our sole discretion, within 60 days of our receipt of all requested information.

We will approve additional Vendors and Distributors based upon several factors, including the effect, if any, on the Units and System, the quality of the Products offered, the total number of Vendors and Distributors that are needed in a region, the business reputation and financial stability of the applicant, the applicant's ability to fill orders timely and accurately, to adhere to our schedules, to maintain confidentiality and other factors as we decide are appropriate. We may also impose additional obligations at the applicant's expense, such as training for employees or equipment upgrades, as conditions for our approval. We may charge the Vendors and Distributors a fee to cover the costs of the approval process, including inspections and investigations. You are not required to pay to us any fees in connection with our approval of an additional Vendor or Distributor.

We understand that Vendors and Distributors may treat these charges as part of their costs in providing the Products, and pass along that cost to their customers, including you, in the form of higher prices for Products. We also understand that the imposition of these charges may discourage some from applying for our approval. We do not directly derive any revenue from Vendors or Distributors as a result of sales to you. We do not receive lower prices or discounts from Vendors or Distributors because of purchases by you. Neither we nor our affiliates derive any revenue from the sale of required products to you. However, we do receive royalties from third-party aggregator companies in consideration of our licensing their use of the Taco Bell Trademarks for the aggregators to provide services to restaurants, as described below. We do not provide material benefits to you based on your use of designated or approved sources.

We may, at any time, review the performance of any approved Vendor or Distributor to determine whether this policy is being followed. We may inspect at any time during regular business hours, without advance notice, any facility used or operated by an approved Vendor or Distributor for its Taco Bell business to check for compliance with this policy. We may, upon five days' advance notice in writing, audit the business records (including records which would show the quality, specification and source of goods

purchased) of any approved Vendor or Distributor to verify compliance. We may revoke our approval immediately upon notice in the event we judge that our policies are not being followed.

In addition, it should be noted that the beverages of The Coca Cola Company are not approved for sale by you in your Unit.

**Pepsi-Cola Company Agreement**

Through our ultimate corporate parent, YUM, we are bound to an agreement with the Pepsi-Cola Company ("Pepsi"), under which we are obligated, subject to certain exceptions, to serve only soft drinks licensed by Pepsi and/or by the Pepsi/Lipton Tea Partnership ("Partnership") through December 31, 2026. If you purchase an existing System Restaurant from TBC or its subsidiaries or affiliates, you must assume this obligation by entering into the franchisee version of the Pepsi-Cola Beverage Supply and Marketing Agreement, a copy of which will be provided to you prior to your entering into the APA for the purchase of any existing units. Further, all YUM franchisees and licensees, regardless of whether they purchase an existing System Restaurant from TBC or one of its subsidiaries or affiliates, are required to exclusively sell products licensed by Pepsi and/or the Partnership, subject to certain exceptions. The terms of your contract with Pepsi will be on substantially the same terms as the contract under which we are bound.

**Third-Party Aggregator Programs**

TBC and its affiliates have entered into agreements with third-party aggregators, including Doordash, Uber Eats and Grubhub, to provide restaurants owned by us, our affiliates, our franchisees or our licensees with online ordering, pickup and/or delivery capabilities. These agreements are negotiated by us for the benefit of the System including franchisees and licensees. Should you choose to participate in these programs, you must enter into a contract with the corresponding third parties. We may receive royalty payments from the third-party aggregators for licensing the Taco Bell brand and certain Trademarks to those third parties to provide services to System outlets.

**Restaurant Supply Chain Solutions, LLC**

Purchasing activities for food, packaging and equipment used in the System are conducted primarily through Restaurant Supply Chain Solutions, LLC ("RSCS"), formerly known as Unified Foodservice Purchasing Co-op, LLC or UFPC. The members of RSCS are the Taco Bell National Purchasing Co-op, Inc. (the "Taco Bell Co-op"), which is described in more detail below, and similar co-ops of our sister companies and their franchisees (Pizza Hut National Purchasing Co-op, Inc. and KFC National Purchasing Co-op, Inc.). By contract, RSCS also provides purchasing programs and program management services for A&W National Purchasing Co-op, Inc. and procurement services to the Habit Burger Grill (which together with the Taco Bell Co-op, Pizza Hut National Purchasing Co-op, Inc. and KFC National Purchasing Co-op, Inc., are collectively referred to below as the "Concept Co-ops"). Because RSCS is a shared resource organization, allocation costs and sourcing fees attributable to the Taco Bell Co-op, Pizza Hut National Purchasing Co-op, Inc. and KFC National Purchasing Co-op, Inc. may increase if RSCS's contract with A&W National Purchasing Co-op, Inc. or Habit Burger Grill is terminated for any reason. RSCS and the Concept Co-ops are organized in accordance with federal tax laws relating to entities operating on a cooperative basis. In accordance with those laws, each Concept Co-op has historically distributed substantially all of its net income not required for working capital or reserves to its members each year as a "patronage dividend." RSCS acts as a purchasing agent for the Concept Co-ops and is the exclusive purchasing agent for the Taco Bell company-owned and franchised restaurants in the United States.

The Taco Bell Co-op was formed to allow us, our affiliates and our franchisees and licensees to conduct a purchasing program through RSCS. The Taco Bell Co-op is a member of RSCS and operates as a cooperative under Subchapter T of the Internal Revenue Code. RSCS and the Taco Bell Co-op are not affiliated with us, TBC or YUM, and both are organized and operated independently from us, TBC and YUM. However, TBC is a stockholder member of the Taco Bell Co-op and is entitled to elect two members of the Taco Bell Co-op Board of Directors.

The Taco Bell Co-op is governed by a Board of Directors consisting of 8 voting members plus the President of RSCS, who is a non-voting ex officio member. Franchisees who are stockholder members are entitled to elect 5 members of the Taco Bell Co-op Board of Directors (chosen by region); TBC is entitled to elect 2 members of the Board; and the Taco Bell Franchise Management Advisory Council ("FRANMAC") is entitled to elect one Board member. Two directors of the Taco Bell Co-op are appointed annually as voting directors of the RSCS Board of Directors.

Only those licensees that are also franchisees or that operate 25 or more Units are eligible to join the Taco Bell Co-op. To join the Taco Bell Co-op, you must buy from the Taco Bell Co-op one share of "Membership Common Stock" (currently priced at $10), plus one share of "Store Common Stock" for each traditional and two non-traditional Taco Bell restaurants that you own and operate (currently priced at $400 per share). If you later sell some or all of your restaurants (or otherwise become ineligible for membership), you may not sell or transfer your shares to third parties, although the Taco Bell Co-op may redeem your shares of Store Common Stock at your original purchase price and, if you become ineligible for

membership, will redeem your share of Membership Common Stock for $10.

Your membership in the Taco Bell Co-op makes you eligible to participate in RSCS's purchasing programs. Under the Bylaws of the Taco Bell Co-op, while you are a member, you must purchase virtually all goods and equipment you use in your restaurants through the purchasing programs of RSCS and the Taco Bell Co-op. Also, RSCS and the Taco Bell Co-op may collect sourcing fees directly or indirectly (from distributors or suppliers) from each stockholder member to fund the purchasing programs and services of RSCS and the Taco Bell Co-op.

We do not require that you join the Taco Bell Co-op. Subject to the limitations described below, you may purchase through RSCS and the Taco Bell Co-op as a non-member (in which case you will have no voting rights and will not be entitled to receive patronage dividends). The Taco Bell Co-op's Bylaws require that the Taco Bell Co-op conduct more than 90% of the value of its business with its stockholder members. In implementation of that rule, RSCS reserves the right to refuse to do business with Taco Bell licensees who are not members of the Taco Bell Co-op.

For additional information about Restaurant Supply Chain Solutions and the Taco Bell Co-op, contact Kirsten Michulka, Senior Vice President Supply Chain and General Manager of the Taco Bell Co-op, 1 Glen Bell Way, Irvine, CA 92618 at 502/891-2741, and request a copy of the "Membership Information Packet" for the Taco Bell Co-op.

**Gift Cards**

Our affiliate, GCTB, LLC, manages the Taco Bell Gift Card Program. All Units must sell gift cards and accept gift cards as payment. Gift cards are processed in the same manner as existing credit and debit cards which system requirements are addressed in Item 11 under the heading Computer and Electronic Point of Sale System. For any approved authorizations from a Taco Bell gift card, settlement will be included in the normal process with the restaurant's merchant processing provider account, as with any other payment card transaction. Several states require gift cards to "cash out" the remaining value if under a specific value. GCTB, LLC has issued cash out procedures with which you must comply. You are permitted to exclude from your calculation of "Net Sales" all proceeds from the sale of gift cards, and therefore the proceeds are not subject to the franchise royalty and advertising fees. However, both franchise royalty and advertising fees must be paid on all gift card redemptions. Gift cards that are ordered and shipped in the Marketing Window POP are not subject to shipping or handling charges; if ordered otherwise, shipping and handling charges will apply.

Licensees are not permitted to sell any other gift certificates, scrip or coupons, though they may continue to redeem those already in circulation.

**Insurance**

You must obtain and maintain at your own expense insurance policies with insurers satisfactory to us covering workers' compensation, employer's liability, commercial general liability, products liability, liquor liability and all-risk property insurance. If you do not maintain the required insurance coverage, we may purchase it for you and charge the cost to you as described in Item 6.

## Item 9

## LICENSEE'S OBLIGATIONS

This table lists your principal obligations under the License Agreement ("LA") and the Asset Purchase Agreement ("APA"). It will help you find more detailed information about your obligations in these agreements and in other Items in this disclosure document. See Exhibits B and I.

| Obligation | Section in Agreement | Item in Disclosure Document |
|---|---|---|
| (a) Site selection and acquisition/lease | LA: 5.2, 16.8<br>APA: 1, 5.1, 8.5, 9.4 | 5, 7, 11 |
| (b) Pre-opening purchases/leases | LA: 4.4, 5.2, 11, 16.8<br>APA: 8 | 5, 7, 8 |
| (c) Site development and other pre-opening requirements | LA: 3.0, 4.1, 11<br>APA: 5.1 | 7, 11 |
| (d) Initial and ongoing training | LA: 4, 13.0 (d)<br>APA: Not Applicable | 6, 11 |
| (e) Opening | LA: 2.0, 3.0, 3.1<br>APA: Not Applicable | 11 |
| (f) Fees | LA: 4.4, 7, 8.3, 10.1, 11, 13.0 (c) 15.4<br>APA: 1, 2, 3, 4, 7.5, 14, 18, 19, 27 | 5, 6, 7, 8, 10 |

| Obligation | Section in Agreement | Item in Disclosure Document |
|---|---|---|
| (g) Compliance with standards and policies/Operating Manual | LA: 1.1, 3, 4.3, 5.0, 5.1, 6.1, 6.2, 8, 9<br>APA: Not Applicable | 1, 11, 15 |
| (h) Trademarks and proprietary information | LA: 3, 6.1, 14, 15, 16.2, Appendix<br>APA: 1 | 1, 12, 13, 14, 16 |
| (i) Restrictions on products/services offered | LA: 3.5<br>APA: Not Applicable | 8, 11, 16 |
| (j) Warranty and customer service requirements | LA: Not Applicable<br>APA: 11, 12 | Not Applicable |
| (k) Territorial development and sales quotas | LA: Not Applicable<br>APA: Not Applicable | 12 |
| (l) Ongoing product/service purchases | LA: 3.5<br>APA: Not Applicable | 8, 11, 16 |
| (m) Maintenance, appearance and remodeling requirements | LA: 3.2, 5<br>APA: 2.2, 18 | 11, 17 |
| (n) Insurance | LA: 11<br>APA: Not Applicable | 7 |
| (o) Advertising | LA: 3.1(e), 6<br>APA: Not Applicable | 11 |
| (p) Indemnification | LA: 10<br>APA: 16, 17 | NA |
| (q) Owner's participation/management/staffing | LA: 3.1, 4<br>APA: 15 | 11, 15 |
| (r) Records/reports | LA: 8<br>APA: Not Applicable | 6, 17 |
| (s) Inspections/audits | LA: 8.3, 9<br>APA: 8.6, 8.7 | 6, 11, 17 |
| (t) Transfer | LA: 13<br>APA: 28, 38 | 6, 17 |
| (u) Renewal | LA: 2<br>APA: Not Applicable | 17 |
| (v) Post-termination obligations | LA: 3.8, 15<br>APA: Not Applicable | 17 |
| (w) Non-competition covenants | LA: 3.8<br>APA: Not Applicable | 17 |
| (x) Dispute resolutions | LA: 15.3, 16.3, 16.4<br>APA: 32 | 17 |

## Item 10

## FINANCING

We may attempt periodically to identify lenders willing to extend financing to you. Our assistance in identifying lenders is not an approval or endorsement by us of any of the lenders or of the financing arrangements. The terms of any such financing arrangements will be agreed upon between you and the lender and may vary widely.

Provided your accounts are in good standing, we do not currently require you to execute notes, contracts, or other instruments containing waivers of defenses or confessions of judgment under ordinary circumstances.

TBC had no past practice, and we have no present practice, of selling, assigning or discounting your obligations under the License Agreement to third parties. However, in the past, TBC sold the promissory notes of franchisees and assigned its right to receive rents under leases with franchisees to third parties. We may continue this practice, if we deem it to be in our best interest.

We do not offer, directly or indirectly, any arrangements for financing your initial investment or the continuing operation of your Taco Bell business. We are unable to predict whether you will be able to obtain financing for any part of or all of your investment and, if you are able to obtain financing, we cannot predict the terms of such financing.

## Item 11

## LICENSOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

**Pre-Opening Obligations**

(1) At least six months prior to ground break, you must submit the following documents to your brand designer for brand review sign off: site sketch, extended site plan, exterior elevations and seating/equipment plan. We will review trade areas and possible sites, consider sites for approval, advise you about general procedures involved in acquiring the property, and provide you with the standard plans for a Unit. (Exhibit B-1, Section 3.1.h.)

(2) The Franchise Operations Manual, commonly referred to as the Answer System (the "Manual") will be provided to you via electronic access to a confidential website, which also includes our on-line training courses and is commonly referred to as OneSource. Because the Manual is provided electronically, the pagination thereof may differ than if it were provided in hard copy form. We estimate the Manual to be approximately 4,500 pages. Exhibit D lists the Table of Contents of the OneSource library folders, by name and number of pages, that comprise the Manual.

(3) We will make available to you and to one manager its operations training course (Exhibit B-1, Section 4.0). We require that you and one manager successfully complete its training program to our satisfaction. The training program is further described below.

(4) We will provide a representative who will be available to advise you in coordinating pre-opening activities (Exhibit B-1, Section 3.0).

Certain of the pre-opening services described above are not applicable when you purchase an existing Unit. In those circumstances, we do not provide the services described above, except furnishing of a Manual and training course.

**Continuing Obligations**

(1) Furnish you, as we deem appropriate, with advice and assistance in managing and operating the Unit, including local visits by our representatives. (Exhibit B-1, Section 3.0.)

2) Delete from and add to the System and the Manual to reflect changes and updates. We will provide such revisions, deletions, and additions to you. (Exhibit B-1, Section 3.3.)

**Location Selection**

Each location, whether located by our representative or by you, is subject to formal review by us. Except as provided in our current Integrated Expansion Policy described in Item 1 above, we can approve or disapprove locations within our sole discretion and in consideration of any factors such as area population, residents' ages and incomes, traffic counts, convenience of ingress and egress, existing restaurants in the area, anticipated land acquisition costs and construction costs, the operating results of existing restaurants in similar or nearby areas and any other factors, both objective and subjective, which in our view might bear upon the probability of a successful restaurant development and operation. We typically notify you of approval or disapproval of a site within 30 to 60 days of receipt of the required site information. If you and we do not agree on a site, you must not build. If we do not approve a site, we will not issue a License Agreement.

As a condition of our approval for you to develop additional units, we require that you be operationally approved, which approval will be based on, among other things, your performance in the Food Quality and Safety Audits, any mandatory operations inspection programs, and the status of all accounts with us as current.

Once you are approved by us for a Taco Bell Express Unit, setting aside time delays caused by the obtaining of governmental permits and approvals, your Taco Bell Express Unit is typically opened within 90 to 120 days. Many factors may affect this length of time, such as obtaining the necessary governmental permits and approvals, weather conditions and labor difficulties during land development and building construction, and delivery of all necessary signs and equipment, among other things.

**Training Program**

We require that you and one manager successfully complete our training program to our satisfaction. We require that a person who has successfully completed our training program to our satisfaction be present at each Express Unit during all hours of operation. Our management training program, offered on an as-needed basis, lasts approximately 6 weeks and consists of on-the-job training in an approved company owned restaurant that is geographically convenient to the attendees whenever

possible, by a trainer certified by us. The instructional materials may include the Manual, web-based materials, e-learning, and other course specific handouts.

This program is tuition free for the first two key operators per Express Unit. Additional key operators can be trained at a fee, which was $350 per key operator as of the end of our last fiscal year. You must pay for all travel, living expenses and wages for you and your employees as described in Item 7. We do not currently require you to attend additional training. Should you request additional training, we may charge a training fee.

The training will be scheduled to finish 4 to 6 weeks prior to the scheduled opening of your Unit. **For license applicants, we may terminate (or decline to issue) the License Agreement if you fail to maintain two fully-trained "certified" key operators at each Unit. (Exhibit B-1, Sections 4.0, 4.1, 14.1(a))**

The basic license management training program is continually subject to refinement and change as we deem appropriate. The following table provides a description of the training program as of the end of our last fiscal year.

**TRAINING PROGRAM**

| Column 1<br>Subject | Column 2<br>Hours of Classroom Training | Column 3<br>Hours of On-The-Job Training* | Column 4<br>Location |
|---|---|---|---|
| Team Member Basics and Service Champion | | Week 1 – 50 hours | Approved Company Owned Restaurant |
| | | | |
| Food Champion and Managing a Shift | | Week 2 – 50 hours | Approved Company Owned Restaurant |
| | | | |
| Team Trainer Managing a Shift | | Week 3 – 50 hours | Approved Company Owned Restaurant |
| | | | |
| Managing a Shift | | Week 4 – 50 hours | Approved Company Owned Restaurant |
| | | | |
| AGM Activities and Leading a Restaurant – GM Curriculum | | Week 5 – 50 hours | Approved Company Owned Restaurant |
| | | | |
| Leading a Restaurant – GM Curriculum | | Week 6 – 50 hours | Approved Company Owned Restaurant |
| | | | |
| Food Safety Certification Training**<br>(Classroom or online option through the OneSource) | 8 hours or as appropriate to meet state/local Food Safety training requirements | Or Online course is 8 to 10 hours | Local classroom or on-line learning |

*Hours of On-The-Job Training include in-restaurant training through the Taco Bell OneSource.

**Food Safety Certification training is required for a least one key operator per restaurant at your expense. Training can be completed through Taco Bell OneSource, ServSafe or other approved vender that meets state/local Food Safety training requirements. Re-certification of this training must occur every 3 years.

All training instructors and training restaurants are subject to our approval. All training instructors have a minimum of one-year prior training and operations experience in the subjects covered above. Currently, the training program is supervised by Kelly McCulloch, Chief People Officer since January 2020.

We also offer training courses for those of your employees whom you wish to be approved to train restaurant management personnel for your organization. Once an employee successfully completes this training, training of the restaurant's restaurant management team for this Unit or additional Units can be satisfied through instruction by your employee at your approved restaurant. Details regarding this program are available upon request.

Should you be approved to purchase from us or an affiliate a KFC/Taco Bell Restaurant, the initial training program will include training on KFC/Taco Bell combined operations and issues specific to the operation of multi-brand restaurants.

**Computer and Electronic Technology Equipment**

The computer and electronic technology equipment used in the Unit, including (without limitation) computer and point of sale ("POS") equipment, kitchen and credit card/gift card processing equipment, Order Confirmation Board ("OCB") equipment, Back of House ("BOH") equipment, broadband internet access equipment and training access equipment, must meet or exceed our specifications.

**Front of House Technology**

Point of Sale System
Our POS System currently requires you to utilize PAR or Toshiba cash register terminals, which record sales transactions (such as capturing sales, ticket data and product ordering data) and provide support functions (such as POS operations and order routing). There is no contractual limit on our right to access this information and data. In addition, you are currently required to use the POS terminals developed by Xenial's XPIENT solution. The POS equipment also requires kitchen equipment and software to display and process orders through assembly/delivery in the kitchen. Please refer to the Touch KDS section below. POS costs vary depending on the hardware system and configuration you purchase; however, the estimated costs associated therewith are set forth in the below chart.

Touch KDS
Our Touch KDS (Kitchen Display System) leverages eye-level, touchscreen tablets on the food production line and displays order information from the Point of Sale System. Touch KDS is comprised of touchscreen tablets, and a kitchen controller/monitor/bump bar in Drive-thru. KDS costs vary depending on the hardware configuration you purchase. Estimated costs are included in the below chart.

SmartHub
The SmartHub is a server installed in the restaurant to enable communication between devices, such as the Touch KDS and POS or POS and BOH. SmartHub is capable of receiving data from the cloud or from one of the devices in the restaurant, process that data and make it available for other devices inside the restaurant. SmartHub is considered the "brain" of Taco Bell's technology vision of the Connected Restaurant. For redundancy, each restaurant gets two SmartHubs. SmartHub costs can vary depending on the mounting requirement. Estimated costs are included in the below chart.

Secure Credit Card Payments
All Units must utilize credit card processing equipment (including the secure credit card terminals and all connectors required to be used in conjunction with the POS System) from Verifone Secure Payment (SCA). Verifone P400 terminals must be utilized in connection with drive-thru payment processing POS terminals and Verifone MX915 terminals must be utilized in connection with front-counter and kiosk POS terminals. A typical Unit will require four Verifone MX915 terminals and one Verifone P400 terminal. Optionally, the Verifone e285 mobile device can be used for line-busting if leveraged in the Unit. In addition, you must obtain credit card processing services from Fiserv. The fees/costs associated with debit/credit card transactions vary and are typically calculated based on the total purchase price amount (including tax); however, the estimated costs associated therewith are set forth below in the chart.

Digital Menu Boards
Our digital menu board system (interior and exterior) requires you to use Stratacache enclosures and media players, all of these components are orderable through RSCS. This solution is dependent on the POS equipment highlighted above to function properly. The menu boards must be powered on at all times in order for important updates to be sent to the menu boards. All current hardware costs are available from RSCS, but approximate costs are listed in the below chart. There are additional software fees that must be paid directly to Stratacache and Taco Bell when these boards are installed. Please see below for details on these fees. The exterior menu boards have an integrated order confirmation board (OCB) that displays when an order is started. Please note: Interior DMBs are required for all remodels and new builds. Exterior DMBs are required only for new builds and major remodels at this time.

Kiosks
Our kiosk system requires you to use EloTouch tablets, VeriFone payment terminals, Storm Audio Navigation Devices, and mount fixtures provided by IDx. These devices allow customers to input orders directly into the system and complete their transactions via card payment or opt to complete the transaction at the traditional Point of Sale. There is no contractual limit on our right to access this information and data. The kiosk solution is dependent on the POS equipment highlighted above to function properly. The kiosks must be powered on at all times while the dining room is open, unless prior approval from Taco Bell has been provided. The kiosks must be free of any signs or other items that are not described herein (e.g.: tables/chairs/signage blocking or impeding access to the kiosks). Use of kiosks is subject to the transaction fee outlined in the Taco Bell All Access Policy.

**Back of House Technology**

Broadband
Comcast is the single managed service provider for broadband services. As the broadband service provider, Comcast will manage the provisioning of all circuits, hardware installation, maintenance and monitoring.

Instead of obtaining broadband service from Comcast, you may (subject to certain exceptions) choose a Bring Your Own Broadband ("BYOB") option; however, any such BYOB option must meet the minimum requirements we set forth and must be approved by us in advance. You must sign a managed service contract with Comcast, even in connection with a BYOB option, so that Comcast can install and manage the requisite network hardware in the Unit. Broadband pricing will depend on the local cable provider and whether a restaurant requires an alternative solution (e.g., DSL, 4G, Satellite) due to the unavailability of cable/fiber.

Training Access
Each Unit is required to have a computer or mobile tablet to access the e-learning training classes in OneSource.

Back of House Computer
Our BOH system includes the e*Restaurant software from Altametrics, a Hewlett Packard computer and a Brother printer. If you do not elect to use our BOH system, you must obtain a system which meets or exceeds all of our current BOH system specifications for reporting, tracking, capabilities, compatibility, and functionality and you must ensure that all data from your BOH system is shared with Taco Bell on a regular basis for measurements on performance and accuracy. SmartLynx SabreTooth Technologies is currently the only approved alternative BOH system; however, we do not provide support for the SmartLynx SabreTooth Technologies system. The fees associated with the BOH system will vary based on the software and related equipment configuration; however, the estimated costs associated therewith are set forth in the below chart.

BOH Speed of Service Timer & Headsets
Each drive-thru Unit must obtain and maintain BOH Speed of Service Timers and Headsets for taking orders. HME Electronics, Inc. is currently our approved vendor for BOH Speed of Service Timer & Headset equipment and maintenance.

**Other Technology & Services**

Taco Bell IT Service Desk
The Taco Bell IT Service Desk currently provides support for certain "certified" in-restaurant hardware and software obtained from our supported vendors (as set forth in the chart below). You must pay us an annual fee in connection with the Taco Bell IT Service Desk providing this support. All other hardware, software, and services must be maintained and supported by your own vendors and the costs are your responsibility.

Technology Maintenance & Updates
You must maintain your POS system and all your computer systems and electronics in good repair. Upon our request you must replace and upgrade the equipment in the Unit. (Exhibit B-1, Sections 3.3, 5.0 and 5.2). We can access the information stored in your system, and there is no contractual limitation on our right to do so. Except as otherwise indicated, neither we nor our affiliates nor any third parties currently have any obligation to provide ongoing maintenance, repairs, upgrades or support for your computer systems unless you have made arrangements with them to do so, and we cannot estimate the cost of maintaining, updating or upgrading your computer systems or its components as the cost will depend on your repair history, local costs of computer maintenance services in your area and technological advances.

You will be required, by certain specified dates, to update your Unit to comply with our then-current technology specifications, including network broadband and all FOH & BOH technologies. Costs to upgrade hardware are currently in line with the estimated costs set forth below, and these costs will be your responsibility. Costs for future upgrades will also be your responsibility. Such upgrades may require you to purchase new technologies, as well as improvements to or modifications of existing technologies, from us, our affiliates, or designated third parties and to enter into related license and support agreements with us, our affiliates, or designated third parties and pay all related fees, including fees to support any online and smartphone "app" ordering systems. If you must purchase from us or our affiliates, we and our affiliates reserve the right to state license, support, maintenance and other technology fees separately or in the aggregate and to change the basis of the allocation of any fees from time to time to reflect: (i) any increase or decrease in the costs and expenses of providing the applicable services, or (ii) any change in the competitive needs of the System, including the right to change the basis for charging such fees, so long as the charges are computed on a fair and consistent basis among similarly situated Units receiving the services for utilizing the applicable systems.

PCI Security & Compliance
You are required to have on file with your bank, a current certificate of PCI compliance covering all of your Taco Bell restaurants. Your bank will notify you of their reporting and filing requirements. We or our designee may provide certain security services to your Taco Bell restaurants on your behalf; however, the responsibility to file and maintain PCI compliance is incumbent upon you.

Tech Check
In addition to maintaining a certificate of PCI compliance, you may be required to complete an annual Taco Bell Security Assessment in order to document and certify the effectiveness of cybersecurity controls in your restaurants. If you elect to utilize our FOH, BOH, network broadband, and payment terminal systems, we or our designee will attest to the applicable controls on your behalf (although some specific information

about your operating environment will be required from you). If you choose not to utilize all of our supplied systems, you will be required to undergo a formal assessment by a Taco Bell-approved assessor at your own expense. Costs associated with this assessment may vary depending on which approved assessor you choose to contract with, however the estimated costs associated therewith are set forth in the chart below.

**Estimated Costs for Computer and Electronic Technology Equipment in New Units**:

| | **Certified Technology** | **Supported Vendor** | **One-Time Cost** | **Annual Cost** |
|---|---|---|---|---|
| FOH Equipment | POS | PAR or Toshiba/ | $10,000 to $15,000 + Installation | N/A |
| | Touch KDS | Elo, Kitchen Armor | $2,500 to $5,000 + Installation | N/A |
| | SmartHub | Supermicro | $1,360 to $1,500 +Installation | N/A |
| | HME Timer (with headset, system, and installation) | HME | $8,000 to $9,000 | N/A |
| | Secure Pay Hardware & Installation | Verifone | $2,000 to $2,500 | $156 |
| | Kiosk | Elo, IDX, PAR | $6,000 incl installation | N/A |
| | DMB | Stratacache | $8,500 to $9,500 + Installation – Interior $13,500 + Installation - Exterior | N/A |
| FOH Software | POS Software | XPIENT by Xenial | $1,250 | $300 |
| | Touch KDS Software | Taco Bell | $200 | $288 |
| | SmartHub Software | Taco Bell | $295 | $144 |
| | Mobile Connector Maintenance, Secure Pay Encryption, Tokenization & Connectors Maintenance | Verifone, XPIENT by Xenial, TransArmor | $300 to $400 | $250 to $350 |
| | DMB Maintenance, warranty, license, DMB support fee | Stratacache | $990 - Interior $990 - Exterior | $715 – Interior $845 – Exterior $1,495 – Bundled pricing for both Interior/Exterior |
| BOH | PC Equipment& Installation | HP | $1,600 | N/A |
| | Printer & 2 Year Warranty | Brother | $300 | N/A |
| | Windows 10 & Email License | Microsoft | N/A | $96 |
| | Altametrics Activation Fee | Altametrics | $300 | N/A |
| | e*Restaurant Setup Fee | Altametrics | $600 | N/A |
| Support | BOH and Support Services | TBC | N/A | $2,158 |
| | FOH and Support Services | TBC | N/A | $1,703 |
| Other | OneSource Tablet w/ Taco Bell Image | Samsung | $600 to $900 | $60 |
| | Broadband | Comcast | N/A | $3,000 to $4,000 |
| All Access | All Access Fee | Us or TBC | N/A | $1,500 |
| Cyber Security | Tech Check Security Assessment based on Unit's | Protiviti | N/A | Estimated to be: $8,000 for the first 30 Units plus an additional $2,000 |

| | | | | |
|---|---|---|---|---|
| | configuration | | | for each additional 10 Units |

These costs are estimates and are subject to change. They do not include taxes or shipping. RSCS (Restaurant Supply Chain Solutions) facilitates the acquisition of the majority of our approved and certified technologies. Their sourcing fees are included in the cost estimates above where applicable.

**Advertising**

You agree to advertise, market, promote and merchandise the business of the Unit. Neither we nor you have any obligation to expend a specified amount of funds on advertising except that you are required to purchase certain point of purchase materials as described in Item 6. You must obtain our express written approval for all advertising materials using the Trademarks or pertaining to the Unit before you use the materials.

We do not have the power to require you to contribute to any advertising fund. There are no licensee advertising cooperatives. The License Agreement does not give us the power to require advertising cooperatives to be formed, changed, dissolved or merged. There is no advertising council composed of licensees. The License Agreement does not give us the power to form, change, or dissolve a licensee advertising council.

There is no obligation for us to maintain any advertising program or to spend any amount on advertising in your area or territory.

## Item 12

## TERRITORY

The License Agreement does not provide territorial protection or exclusivity. There are no exclusive areas or territories granted to you in the License Agreement. The License Agreement licenses the use of the Trademarks in connection with the operation of a Unit at a specified location. Your rights under the License Agreement are non-exclusive and do not include the right to prevent any other uses by any persons or entities of the Trademarks or the System *regardless of how close they are or will be to the Unit.*

You will not receive an exclusive territory. You may face competition from other licensees or franchisees, from Units that we own, or from other channels of distribution or competitive brands that we or our affiliates control. If you also own Traditional Units (as described In Item 1), our Integrated Expansion Policy describes conditions that in some instances could limit or restrict site registrations and restaurant development.

We and/or our affiliates operate many Taco Bell Units, both Traditional and Express, and we permit many other licensees, franchisees, and third parties to use the Trademarks and System. We will likely permit additional uses in the future, and except as stated above, may allow them to locate themselves anywhere without regard to their proximity to your Unit. Except as stated above, the License Agreements do not restrict our right to locate our own Taco Bell Units without regard to their proximity to your Unit. Pizza Hut and KFC, as well as any chains acquired by YUM or its divisions and subsidiaries in the future, may locate their Units anywhere without regard to their proximity to your Unit. If any problems arise due to the proximity of a Taco Bell Unit or a Unit owned, franchised, or licensed by YUM or its divisions or subsidiaries, we will act as we determine is appropriate under the circumstances. We have no obligation to relocate our Unit, attempt to relocate any Units owned, franchised or licensed by YUM or its divisions or subsidiaries, or allow you to relocate your Unit or to compensate you in any way.

The License Agreement licenses the use of the Trademarks only in connection with the operation of a Unit at a specified location. We do not grant you any right or authority to pre-package or to sell pre-packaged food products or beverages under the Trademarks through any channel of distribution (including "alternative channels of distribution," as described below) or to sell non-prepackaged food products, beverages, or other products under the Trademarks through any alternative channels of distribution, such as the internet/worldwide web and other forms of electronic commerce, "800" or similar toll-free telephone numbers, catalogs, telemarketing or other direct marketing sales, or, any channel of distribution other than in connection with the operation of a Unit at a specified location. You may not prepare food at the Unit for delivery or sale elsewhere without our prior written consent.

Subject to the terms of any licenses it may enter into, we have the exclusive, unrestricted right to produce, distribute, or sell pre-packaged and other food products and beverages containing the licensed Trademarks, such as tacos, taco shells, snack foods, sauces and fillings, and other Mexican-style food products, and to use in connection with these the various identifying characteristics developed or used by us. We reserve the right to do so through any channel of distribution, including alternative channels of distribution, such as the internet/worldwide web and other forms of electronic commerce, "800" or similar toll-free telephone numbers, catalogs, telemarketing or other direct marketing sales, or, any other channel of distribution. You will be entitled to no compensation in connection with any such sales.

You have no options, rights of first refusal, or similar rights to acquire additional licenses.

## Item 13

## TRADEMARKS

Our affiliate, Taco Bell IP Holder, LLC, owns a number of trademarks and service marks, including the active Trademarks set forth below, which are registered with the United States Patent and Trademark Office. Taco Bell IP Holder, LLC has granted us a 99 year license to use and sublicense the Trademarks to licensees.

| | Registration Number | Registration Date | Renewed |
|---|---|---|---|
| TACO BELL (in block or stylized letters) | 820,073 | 12/06/66 | Yes |
| | 879,582 | 10/28/69 | Yes |
| | 1,322,739 | 02/26/85 | Yes |
| | 1,874,786 | 01/17/95 | Yes |
| | 1,924,335 | 10/03/95 | Yes |
| | 2,114,014 | 11/18/97 | Yes |
| | 3,501,311 | 09/16/08 | Yes |
| | 3,676,436 | 09/01/09 | Yes |
| | 4,780,421 | 07/28/15 | No |
| TACO BELL & Bell Design | 1,322,738 | 02/26/85 | Yes |
| | 2,105,501 | 10/14/97 | Yes |
| | 2,816,454 | 02/24/04 | Yes |
| | 4,102,936 | 02/21/12 | Yes |
| | 4,682,267 | 02/15/15 | No |
| | 4,873,041 | 12/22/15 | No |
| | 5,592,983 | 10/30/18 | No |
| TACO BELL with Mission Window | 4,295,975 | 02/26/13 | No |
| THE BELL (in block letters) | 1,765,386 | 04/13/93 | Yes |
| BELL DESIGN | 1,322,737 | 02/26/85 | Yes |
| | 1,330,236 | 04/09/85 | Yes |
| | 2,006,124 | 10/08/96 | Yes |
| | 2,105,502 | 10/14/97 | Yes |
| | 3,629,938 | 06/02/09 | Yes |
| LIVE MÁS | 4,243,633 | 11/13/12 | No |
| | 5,146,760 | 02/21/17 | No |
| TACO BELL and Bell Design No. 7 | 4,382,469 | 08/13/13 | No |
| with LIVE MÁS | 4,923,059 | 03/22/16 | No |

These are the primary Trademarks. Others have also been registered and are described in the Appendix to the License Agreement.

All required affidavits of continued use have been filed. There are presently no effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state, or any court, nor is there any pending infringement, opposition or cancellation proceeding, nor any pending material litigation involving any of the above Trademarks that may be relevant to their use in this state or in any other state.

There are no agreements currently in effect that significantly limit our rights to use or license the use of the Trademarks in any manner material to the License Agreement. We are not aware of either superior prior rights or infringing uses that could materially affect your use of the Trademarks.

All of the above registrations, which are on the principal register, are licensed nonexclusively to franchisees and licensees of Traditional and Express Units as appropriate. You will be notified of the

Trademarks that can be utilized for your business. Except as provided for in Item 12 (Territory), we may, in our sole and absolute discretion, grant any other person(s) the license, in addition to any license(s) already granted, to use all or any part of the Trademarks, both within and outside your restaurant trading area.

Our affiliate, Taco Bell IP Holder, LLC, is the sole and exclusive owner of the Trademarks. You may not directly or indirectly object to, attack, or contest or aid in contesting the validity, ownership, or use of the Trademarks by Taco Bell IP Holder, LLC, or by us or our other affiliates. The License Agreement does not vest you with any right, title, or interest in or to the Trademarks, the goodwill now or hereafter associated therewith, or any right in the design of any restaurant building, other than the limited license granted. All goodwill now or in the future associated with and/or identified by the Trademarks (including any goodwill arising out of your use of the Trademarks) will inure directly and exclusively to the benefit of Taco Bell IP Holder, LLC, us or our other affiliates.

You must exercise caution in your use of the Trademarks to ensure that the Trademarks and the goodwill associated with them are not jeopardized in any manner. You may not use the Trademarks in any manner or in connection with any statement or material that is, in our sole judgment, in bad taste or inconsistent with the Taco Bell public image, or that could tend to bring disparagement, ridicule, or scorn upon us, the Trademarks, the System, the products or services of the System, or the goodwill associated with the Trademarks. You will not adopt, use, or register (by filing a certificate or articles of incorporation, a fictitious business name statement, or otherwise) any trade or business, name, style, or design that includes, or is similar to, any of the Taco Bell trademarks, service marks, trade names, logos, insignia, slogans, emblems, symbols, designs, or other identifying characteristics.

We may designate new Trademarks on any such terms and conditions as we deem appropriate. We will have the right at any time and upon notice to you to make additions to, deletions from, and changes in the Trademarks, all of which additions, deletions, and changes will be subject to the terms of the License Agreement. All such additions, deletions, and changes will be made in good faith, on a reasonable basis, and with a view toward the overall best interest of the Taco Bell System.

You must immediately notify us of any claims or charges of trademark infringement against you, us or Taco Bell IP Holder, LLC, as well as any information you may have of any suspected trademark infringement by a third party. We will use reasonable efforts to protect and preserve the integrity and validity of the Trademarks, including the taking of actions we deem appropriate in the event of any apparent infringement of the Trademarks. You may not, however, take any action with respect to any challenges against your use of the Trademarks, or any known or suspected infringements of the Trademarks by other parties, without our prior, written approval. Whenever requested to do so by us, you will cooperate fully in any such action. There is no written obligation, in the License Agreements or otherwise, to protect any rights that you have to use the Trademarks or to protect you against claims of infringement or unfair competition with respect to the same. We, Taco Bell IP Holder, LLC and/or our affiliates have the right to control any administrative proceedings or litigation involving any of the Trademarks licensed to you.

You must adopt and use the Trademarks strictly according to the terms and conditions of the License Agreement.

## Item 14

## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents or copyrights that are, in our opinion, material to the license. However, we claim copyright protection of the Manual and related materials, although these materials have not been registered with the United States Registrar of Copyrights. We do own copyrights in a variety of radio and television commercials, manuals, and reports. You may use these copyrighted materials to operate the Unit without additional charge, except that you have to purchase and pay for the materials containing them (*e.g.*, signs and posters).

Information disclosed to you and your employees concerning the development and operation of Taco Bell units includes valuable proprietary information and trade secrets and is considered our property. You may use this information only as provided in the License Agreement and you must execute the Confidentiality Agreement (Exhibit E). You may not use our confidential information in any unauthorized manner and you must take reasonable steps to prevent its disclosure to others.

## Item 15

## OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE LICENSE BUSINESS

You must devote your full time, best efforts, and constant personal attention to the day-to-day operations of the Unit. If we have authorized you to name an employee as the supervisor of the Unit, then that person must successfully complete our training program and is required to devote his or her full time, best efforts, and constant personal attention to the day-to-day operations. The authorized employee is not required to hold an equity interest in the business. If we have approved the transfer of the individual

interests in the franchise to a corporation, partnership, or limited liability company (see Exhibit B-2), you remain obliged to devote your full time, best efforts and constant personal attention to the day-to-day operations of the Unit, unless otherwise agreed between you and us.

Except as otherwise provided in the License Agreement, you or a qualified restaurant manager must maintain their personal residence within a driving time of approximately one hour from the Unit. You are personally responsible to us under the License Agreement, and we look to you for the performance of all duties, liabilities, and obligations described in the License Agreement. If you are an entity other than a natural person, such as an approved assignee corporation, partnership, or limited liability company, we require that all of your legal and/or beneficial holders of equity personally guarantee (see Exhibit B-2) the performance of your obligations under the License Agreement, except your spouse who holds a beneficial equity interest solely because of marriage to you is not required to execute the personal guarantee.

During the term of the License Agreement, you and your immediate family, employees, shareholders, and others associated with you or the license, must not engage in the service of Mexican-style menu or food items at the Unit or anywhere else, except for our own brand of Mexican-style menu or items. Additionally, as described in Item 14, you must execute the Confidentiality Agreement.

## Item 16

## RESTRICTIONS ON WHAT THE LICENSEE MAY SELL

You must offer for sale and sell all and only the food, beverages, and other products described in the Manual. Item 8 above describes restrictions on goods that may be sourced and incorporated into the goods and services offered by you at the Unit. We have the unlimited right to change the types of authorized goods and services. No trademarks or service marks other than those authorized in writing by us may be used in connection with the operation of the Unit. For instance, the products of The Coca-Cola Company may not be sold from the Unit.

You may not use the Trademarks to conduct business anywhere other than a Unit for which there is a valid Agreement, nor may you prepare food at the Unit for delivery or sale elsewhere without our prior written consent in the form of an amendment to the License Agreement.

## Item 17

## RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE LICENSE RELATIONSHIP

**These tables list certain important provisions of the License Agreement and related agreements pertaining to renewal, termination, transfer, and dispute resolution. You should read these provisions in the agreements attached to this Disclosure Document. ("LA" = License Agreement; "APA" = Asset Purchase Agreement) See Exhibits B-1 and I.**

| Provision | Section in License Agreement | Summary |
|---|---|---|
| (a) Length of the license term | LA: 2.0<br>APA: Not applicable | LA: 10 years. The term of a License Agreement issued in connection with the purchase of an existing KT unit from us or an affiliate may vary from 9 months to 5 years.<br>Notwithstanding the above, we reserve the right in our absolute discretion to offer a term from 1 to 20 years for atypical locations or unusual development or operational circumstances. |
| (b) Renewal or extension of the term | LA: 2.0<br>APA: Not applicable | LA: No renewal rights are granted to you under the License Agreement, but we have a successor policy currently in effect subject to modification or cancellation at any time, under which we might agree to enter into a new agreement with you. Additionally, we may agree to enter into an Amendment to your License Agreement to temporarily extend the term to allow you additional time to complete a remodel of the Unit. |
| (c) Requirements for you to renew or extend | LA: Not Applicable<br>APA: Not applicable | LA: See (b) above. You must be operationally and financially approved, upgrade the Unit and pay a successor fee. |

| Provision | Section in License Agreement | Summary |
|---|---|---|
| | | You must sign a release and may be required to sign a contract with materially different terms and conditions than your original contract. If you are approved for an extension, you must execute an amendment to the License Agreement that modifies the term and pay an extension fee. |
| (d) Termination by you | LA: 15.4<br>APA: 5.1, 8, 18.1 | LA: Termination by you without material breach by us is a default. In addition to any other remedy or right that we may have, you must pay us liquidated damages in the amount of 10% of the Unit's Gross Sales for last 12 months of operation or, if you have not provided Gross Sales information for the last 12 months, you shall pay $80,000.<br>APA: Either party may terminate if parties are unable to obtain consent required under lease or sublease or unable to agree on reasonable terms of lease or sublease, if we choose not to remedy certain title or property conditions, if we fail to satisfy a condition precedent, or if closing does not occur by specified date. |
| (e) Termination by us without cause | LA: 16.2<br>APA: Not applicable | LA: If a portion of the License Agreement relating to your payment of fees to us, or the preservation of Trademarks is declared invalid or unenforceable, we have the option to terminate upon written notice to you. |
| (f) Termination by us with cause | LA: 15<br>APA: 8, 18.1 | LA: We can terminate if you commit any one of several listed violations.<br>APA: We may terminate if you fail to satisfy a condition precedent or if closing does not occur by an agreed date. |
| (g) "Cause" defined - defaults which can be cured | LA: 15.0<br>APA: Not applicable | LA: You have 30 days to cure certain monetary or operational defaults. |
| (h) "Cause" defined – non-curable defaults | LA: 15.0<br>APA: 18 | LA: Certain specified breaches of the License Agreement, loss of possession of unit, untrained manager(s), knowing or reckless under reporting of Gross Sales, felony conviction, material misrepresentation in application, serve unsafe product, breach the covenant not to compete, pattern of repeated defaults. The provision in the License Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et. seq.)<br>APA: If you default, you must pay us liquidated damages |
| (i) Your obligations on termination/non-renewal | LA: 14, 15.1, 15.4<br>APA: 18 | LA: Stop using trademarks and System, de-identify Unit, pay liquidated damages if applicable.<br>APA: If you default, you must pay us liquidated damages. |
| (j) Assignment of contract by us | LA: 13<br>APA: 28 | LA: No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith and judgment, is willing and able to assume our obligations under the license agreement.<br>APA: We may assign to any of our affiliates |
| (k) "Transfer" by you | LA: 13<br>APA: 28, 38.1 | LA: Includes sale, assignment, transfer or encumbrance of, as well as granting a lien or security interest in, your rights and interests under the License Agreement and/or your interest in any of the Restaurant land, building, equipment, fixtures or other things |

| Provision | Section in License Agreement | Summary |
|---|---|---|
| | | which are subject to the provisions of the License Agreement.<br>APA: You may not transfer except with our prior written consent. For 5 years following the closing of the transaction, you may not transfer any assets purchased from us without our consent which may withheld in our sole discretion. |
| (l) Our approval of transfer by you | LA: 13<br>APA: 28, 38.1 | LA: We have the right to disapprove any transfers, our consent not to be unreasonably withheld.<br>APA: You may not transfer except with our prior written consent. For 5 years following the closing of the transaction, you may not transfer any assets purchased from us without our consent which may withheld in our sole discretion. |
| (m) Condition for our approval of transfer | LA: 13<br>APA: 28, 38.1 | LA: No existing default, all amounts due us are paid current, transferring licensee must sign a release, transfer fee is paid, proposed transferee satisfactorily completed training, provided biographical and financial information, and executed a release and the then-current contract.<br>APA: You may not transfer except with our prior written consent. For 5 years following the closing of the transaction, you may not transfer any assets purchased from us without our consent which may withheld in our sole discretion. |
| (n) Our right of first refusal to acquire your business | LA: Not Applicable<br>APA: 38.2 | None<br>APA: For 5 years following the closing of the transaction, we have the right of first offer to purchase any assets that you have purchased from us in the event that you decide to transfer. |
| (o) Our option to purchase your business | LA: 13.4, 15.2<br>APA: 38.2 | LA: We have an option but not an obligation to purchase or assume lease of some or all of the usable proprietary equipment and signage. Additionally, we have the option to purchase the business in the event a transfer is not finalized per the terms of the License Agreement after your death or disability. See the following subsection (p).<br>APA: For 5 years following the closing of the transaction, we have the right of first offer to purchase any assets that you have purchased from us in the event that you decide to transfer. |
| (p) Your death or disability | LA: 13<br>APA: Not Applicable | LA: Heirs or legal representatives must notify us within 120 days that they elect to perform your obligations and we have the right to approve or disapprove. If we disapprove, your heirs have 6 months to sell interest. If transfer that meets the requirements of the License Agreement is not completed within 6 months, we have option to purchase the business at fair market value. |
| (q) Non-competition covenants during the term of the license | LA: 3.8<br>APA: Not Applicable | LA: No interest in a restaurant business which prepares or sells Mexican style food products, except for not more than a 10% ownership in stock of publicly-traded company. |
| (r) Non-competition covenants after the | LA: 3.8<br>APA: Not Applicable | LA: Same as above for one year following termination by us due to your breach, but only with respect to similar businesses |

| Provision | Section in License Agreement | Summary |
|---|---|---|
| license is terminated or expires | | operated within a 1-mile radius of the franchise. |
| (s) Modification of the License Agreement | LA: 16.10<br>APA: 33 | LA: All changes must be mutually agreed to and in writing, except changes to the Manual or Trademarks.<br>APA: May be amended only by written instrument by you and us |
| (t) Integration/merger clause | LA: 16.9<br>APA: 33 | LA and APA: Only the terms of the respective license agreement and all agreements signed with it are binding (subject to state law). Any representations or promises outside of the disclosure document and the respective agreement may not be enforceable. |
| (u) Dispute resolution by arbitration or mediation | LA: Not Applicable<br>APA: 32 | LA: None<br>APA: Parties agree to mediate |
| (v) Choice of forum | LA: 16.4<br>APA: 32 | LA: Any suits must be brought in federal or state courts in Orange County, California.<br>APA: Mediation shall occur in Orange County, CA |
| (w) Choice of law | LA: 16.3<br>APA: 31 | LA: New York law applies.<br>APA: New York law |

NOTES: See also Exhibit H, State Addenda to the Disclosure Document and License Agreement, for laws in your state that may supersede the License Agreement in your relationship with us.

## Item 18

## PUBLIC FIGURES

We do not use any public figure to endorse or recommend the license in advertisements, except insofar as performing artists may appear periodically as performers in our consumer advertising. Also, you do not have any right to use the name of a public figure in your promotional effort and advertising, except to the extent just mentioned.

## Item 19

## FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a licensor to provide information about the actual or potential financial performance of its licensed and/or licensor-owned outlets, if there is a reasonable basis in fact 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 licensor provides the actual records of an existing Unit you are considering buying; or (2) a licensor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about future financial performance or the past financial performance of any company-owned or licensed Express Units. 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 Express Unit, however, we may provide you with the actual records of that Unit. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Eric Hayden, Director, Global Franchise Counsel, at Taco Bell Franchisor, LLC, 1 Glen Bell Way, Irvine, California 92618, Phone: 949-863-4500, the Federal Trade Commission, and the appropriate state regulatory agencies.

## Item 20

## OUTLETS AND LICENSEE INFORMATION

**Table No. 1**
**Systemwide Outlet Summary**
**For Years 2019 to 2021**

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the Start of the Year | Column 4<br>Outlets at the End of the Year | Column 5<br>Net Change |
|---|---|---|---|---|
| Licensed | 2019 | 359 | 324 | -35 |
| | 2020 | 324 | 258 | -66 |
| | 2021 | 258 | 252 | -6 |
| Company | 2019 | 10 | 10 | 0 |
| | 2020 | 10 | 7 | -3 |
| | 2021 | 7 | 7 | 0 |
| Total | 2019 | 369 | 334 | -35 |
| | 2020 | 334 | 265 | -69 |
| | 2021 | 265 | 259 | -6 |

**Table No. 2**
**Transfers of Licensed Outlets to New Owners (Other than the Licensor)**
**For Years 2019 to 2021**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|---|---|---|
| Alabama | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Alaska | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Arizona | 2019 | 0 |
| | 2020 | 1 |
| | 2021 | 0 |
| Arkansas | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| California | 2019 | 2 |
| | 2020 | 8 |
| | 2021 | 0 |
| Colorado | 2019 | 2 |
| | 2020 | 0 |
| | 2021 | 0 |
| Connecticut | 2019 | 2 |
| | 2020 | 1 |
| | 2021 | 0 |
| Delaware | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Florida | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Georgia | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Hawaii | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Idaho | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Illinois | 2019 | 1 |
| | 2020 | 0 |
| | 2021 | 1 |

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|---|---|---|
| Indiana | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Iowa | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Kansas | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Kentucky | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Louisiana | 2019 | 1 |
| | 2020 | 0 |
| | 2021 | 0 |
| Maine | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Maryland | 2019 | 1 |
| | 2020 | 0 |
| | 2021 | 0 |
| Massachusetts | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Michigan | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Minnesota | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Mississippi | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Missouri | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Montana | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Nebraska | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Nevada | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| New Hampshire | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| New Jersey | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| New Mexico | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| New York | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| North Carolina | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| North Dakota | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Ohio | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|---|---|---|
| Oklahoma | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Oregon | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Pennsylvania | 2019 | 0 |
| | 2020 | 1 |
| | 2021 | 0 |
| Rhode Island | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| South Carolina | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| South Dakota | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Tennessee | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Texas | 2019 | 1 |
| | 2020 | 0 |
| | 2021 | 0 |
| Utah | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Vermont | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Virginia | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Washington | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| West Virginia | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Wisconsin | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Wyoming | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| District of Columbia | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Total | 2019 | 10 |
| | 2020 | 11 |
| | 2021 | 0 |

**Table No. 3**
**Status of Licensed Outlets**
**For Years 2019 to 2021**

| Col. 1<br>State | Col. 2<br>Year | Col. 3<br>Outlets at Start of Year | Col. 4<br>Outlets Opened | Col. 5<br>Termina-tions | Col. 6<br>Non-Renewals | Col. 7<br>Reacquired by Licensor | Col. 8<br>Ceased Opera-tions - Other Reasons | Col. 9<br>Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Alabama | 2019 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 2 | 0 | 0 | 0 | 0 | 4 |

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Termina-tions | Col. 6 Non-Renewals | Col. 7 Reacquired by Licensor | Col. 8 Ceased Opera-tions - Other Reasons | Col. 9 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Alaska | 2019 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Arizona | 2019 | 6 | 1 | 0 | 0 | 0 | 0 | 7 |
| | 2020 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2021 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| Arkansas | 2019 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2020 | 5 | 3 | 0 | 1 | 0 | 1 | 6 |
| | 2021 | 6 | 8 | 0 | 1 | 0 | 0 | 13 |
| California | 2019 | 53 | 1 | 0 | 1 | 0 | 8 | 45 |
| | 2020 | 45 | 4 | 0 | 5 | 0 | 6 | 38 |
| | 2021 | 38 | 2 | 0 | 1 | 0 | 1 | 38 |
| Colorado | 2019 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2020 | 4 | 0 | 0 | 1 | 0 | 1 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Connecticut | 2019 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| | 2020 | 9 | 0 | 0 | 0 | 0 | 2 | 7 |
| | 2021 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| Delaware | 2019 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 2 | 0 |
| Florida | 2019 | 16 | 0 | 0 | 2 | 0 | 1 | 13 |
| | 2020 | 13 | 0 | 0 | 2 | 0 | 2 | 9 |
| | 2021 | 9 | 2 | 1 | 0 | 0 | 0 | 10 |
| Georgia | 2019 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2020 | 8 | 0 | 0 | 1 | 0 | 1 | 6 |
| | 2021 | 6 | 1 | 0 | 0 | 0 | 0 | 7 |
| Hawaii | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Idaho | 2019 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Illinois | 2019 | 17 | 1 | 0 | 0 | 0 | 1 | 17 |
| | 2020 | 17 | 0 | 0 | 0 | 0 | 3 | 14 |
| | 2021 | 14 | 2 | 0 | 0 | 0 | 4 | 12 |
| Indiana | 2019 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| | 2020 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| | 2021 | 13 | 0 | 0 | 1 | 0 | 1 | 11 |
| Iowa | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Kansas | 2019 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| Kentucky | 2019 | 7 | 0 | 0 | 0 | 0 | 1 | 6 |
| | 2020 | 6 | 0 | 0 | 0 | 0 | 1 | 5 |
| | 2021 | 5 | 1 | 0 | 1 | 0 | 0 | 5 |
| Louisiana | 2019 | 4 | 0 | 0 | 0 | 0 | 1 | 3 |
| | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| Maine | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Maryland | 2019 | 14 | 0 | 1 | 0 | 0 | 3 | 10 |
| | 2020 | 10 | 0 | 0 | 0 | 0 | 1 | 9 |
| | 2021 | 9 | 0 | 0 | 0 | 0 | 6 | 3 |
| Massachusetts | 2019 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2020 | 4 | 0 | 0 | 0 | 0 | 1 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Michigan | 2019 | 14 | 0 | 0 | 0 | 0 | 1 | 13 |
| | 2020 | 13 | 0 | 0 | 2 | 0 | 3 | 8 |

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Termina-tions | Col. 6 Non-Renewals | Col. 7 Reacquired by Licensor | Col. 8 Ceased Opera-tions - Other Reasons | Col. 9 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| Minnesota | 2019 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Mississippi | 2019 | 4 | 0 | 0 | 1 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 1 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Missouri | 2019 | 9 | 0 | 0 | 1 | 0 | 1 | 7 |
| | 2020 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2021 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| Montana | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nebraska | 2019 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 1 | 0 | 1 | 0 |
| Nevada | 2019 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 1 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| New Hampshire | 2019 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 1 | 0 | 1 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Jersey | 2019 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| | 2020 | 8 | 0 | 0 | 0 | 0 | 1 | 7 |
| | 2021 | 7 | 1 | 0 | 0 | 0 | 2 | 6 |
| New Mexico | 2019 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 1 | 0 | 0 | 2 |
| New York | 2019 | 31 | 0 | 0 | 3 | 0 | 1 | 27 |
| | 2020 | 27 | 0 | 1 | 2 | 0 | 9 | 15 |
| | 2021 | 15 | 2 | 0 | 1 | 0 | 0 | 16 |
| North Carolina | 2019 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2020 | 6 | 0 | 1 | 0 | 0 | 0 | 5 |
| | 2021 | 5 | 1 | 0 | 1 | 0 | 0 | 5 |
| North Dakota | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Ohio | 2019 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2020 | 8 | 0 | 0 | 2 | 0 | 1 | 5 |
| | 2021 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| Oklahoma | 2019 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2020 | 6 | 2 | 0 | 0 | 0 | 0 | 8 |
| | 2021 | 8 | 0 | 0 | 1 | 0 | 1 | 6 |
| Oregon | 2019 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| Pennsylvania | 2019 | 13 | 0 | 0 | 0 | 0 | 1 | 12 |
| | 2020 | 12 | 0 | 0 | 0 | 0 | 2 | 10 |
| | 2021 | 10 | 0 | 0 | 1 | 0 | 3 | 6 |
| Rhode Island | 2019 | 3 | 0 | 0 | 1 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| South Carolina | 2019 | 6 | 0 | 0 | 0 | 0 | 1 | 5 |
| | 2020 | 5 | 0 | 0 | 1 | 0 | 0 | 4 |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| South Dakota | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tennessee | 2019 | 6 | 0 | 0 | 1 | 0 | 1 | 4 |
| | 2020 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2021 | 4 | 3 | 0 | 0 | 0 | 0 | 7 |
| Texas | 2019 | 23 | 0 | 0 | 1 | 0 | 1 | 21 |

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Termina-tions | Col. 6 Non-Renewals | Col. 7 Reacquired by Licensor | Col. 8 Ceased Opera-tions - Other Reasons | Col. 9 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 21 | 1 | 0 | 1 | 0 | 3 | 18 |
| | 2021 | 18 | 0 | 0 | 0 | 0 | 0 | 18 |
| Utah | 2019 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2020 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2021 | 6 | 1 | 0 | 0 | 0 | 0 | 7 |
| Vermont | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Virginia | 2019 | 18 | 0 | 0 | 1 | 0 | 2 | 15 |
| | 2020 | 15 | 0 | 0 | 4 | 0 | 4 | 7 |
| | 2021 | 7 | 1 | 0 | 1 | 0 | 0 | 7 |
| Washington | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 1 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| West Virginia | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Wisconsin | 2019 | 4 | 0 | 0 | 0 | 0 | 1 | 3 |
| | 2020 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| | 2021 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| Wyoming | 2019 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| District of Columbia | 2019 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2020 | 4 | 0 | 0 | 0 | 0 | 2 | 2 |
| | 2021 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| Total | 2019 | 359 | 5 | 1 | 12 | 0 | 27 | 324 |
| | 2020 | 324 | 10 | 3 | 26 | 0 | 47 | 258 |
| | 2021 | 258 | 31 | 2 | 11 | 0 | 24 | 252 |

**Table No. 4**
**Status of Company-Owned Outlets**
**For Years 2019 to 2021**

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Outlets Reacquired from Licensee | Col. 6 Outlets Closed | Col. 7 Outlets Sold to Licensee | Col. 8 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| Alabama | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Alaska | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Arizona | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Arkansas | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| California | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Colorado | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Connecticut | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Delaware | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Outlets Reacquired from Licensee | Col. 6 Outlets Closed | Col. 7 Outlets Sold to Licensee | Col. 8 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Florida | 2019 | 6 | 0 | 0 | 0 | 0 | 6 |
| | 2020 | 6 | 0 | 0 | 0 | 0 | 6 |
| | 2021 | 6 | 0 | 0 | 0 | 0 | 6 |
| Georgia | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Hawaii | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Idaho | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Illinois | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Indiana | 2019 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 0 | 3 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Iowa | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Kansas | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Kentucky | 2019 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| Louisiana | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Maine | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Maryland | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Massachusetts | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Michigan | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minnesota | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mississippi | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Missouri | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Montana | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nebraska | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nevada | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Outlets Reacquired from Licensee | Col. 6 Outlets Closed | Col. 7 Outlets Sold to Licensee | Col. 8 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| New Hampshire | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Jersey | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Mexico | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| New York | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| North Carolina | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| North Dakota | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ohio | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Oklahoma | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Oregon | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pennsylvania | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rhode Island | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| South Carolina | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| South Dakota | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tennessee | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Texas | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Utah | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vermont | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Virginia | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Washington | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| West Virginia | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Wisconsin | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Wyoming | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Outlets Reacquired from Licensee | Col. 6 Outlets Closed | Col. 7 Outlets Sold to Licensee | Col. 8 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| District of Columbia | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 2019 | 10 | 0 | 0 | 0 | 0 | 10 |
| | 2020 | 10 | 0 | 0 | 0 | 3 | 7 |
| | 2021 | 7 | 0 | 0 | 0 | 0 | 7 |

The above Company-operated units are all multi-brand KFC/Taco Bell restaurants operated by KFC.

**Table No. 5**
**Projected Openings as of December 28, 2021**

| Column 1 State | Column 2 License Agreements Signed But Outlet Not Opened | Column 3 Projected New Licensed Outlet in the Next Fiscal Year | Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year |
|---|---|---|---|
| Alabama | 0 | 0 | 0 |
| Alaska | 0 | 0 | 0 |
| Arizona | 0 | 0 | 0 |
| Arkansas | 0 | 0 | 0 |
| California | 0 | 2 | 0 |
| Colorado | 0 | 0 | 0 |
| Connecticut | 0 | 0 | 0 |
| Delaware | 0 | 0 | 0 |
| Florida | 0 | 1 | 0 |
| Georgia | 0 | 1 | 0 |
| Hawaii | 0 | 0 | 0 |
| Idaho | 0 | 0 | 0 |
| Illinois | 0 | 0 | 0 |
| Indiana | 0 | 0 | 0 |
| Iowa | 0 | 0 | 0 |
| Kansas | 0 | 0 | 0 |
| Kentucky | 0 | 0 | 0 |
| Louisiana | 0 | 0 | 0 |
| Maine | 0 | 0 | 0 |
| Maryland | 0 | 0 | 0 |
| Massachusetts | 0 | 0 | 0 |
| Michigan | 0 | 0 | 0 |
| Minnesota | 0 | 0 | 0 |
| Mississippi | 0 | 0 | 0 |
| Missouri | 0 | 0 | 0 |
| Montana | 0 | 0 | 0 |
| Nebraska | 0 | 0 | 0 |
| Nevada | 0 | 0 | 0 |
| New Hampshire | 0 | 0 | 0 |
| New Jersey | 0 | 0 | 0 |
| New Mexico | 0 | 0 | 0 |
| New York | 0 | 1 | 0 |
| North Carolina | 0 | 0 | 0 |
| North Dakota | 0 | 0 | 0 |
| Ohio | 0 | 0 | 0 |
| Oklahoma | 0 | 0 | 0 |
| Oregon | 0 | 0 | 0 |
| Pennsylvania | 0 | 0 | 0 |
| Rhode Island | 0 | 0 | 0 |
| South Carolina | 0 | 0 | 0 |
| South Dakota | 0 | 0 | 0 |
| Tennessee | 0 | 1 | 0 |
| Texas | 0 | 0 | 0 |

| Column 1<br>State | Column 2<br>License Agreements Signed But Outlet Not Opened | Column 3<br>Projected New Licensed Outlet in the Next Fiscal Year | Column 4<br>Projected New Company-Owned Outlet in the Next Fiscal Year |
|---|---|---|---|
| Utah | 0 | 0 | 0 |
| Vermont | 0 | 0 | 0 |
| Virginia | 0 | 0 | 0 |
| Washington | 0 | 0 | 0 |
| West Virginia | 0 | 0 | 0 |
| Wisconsin | 0 | 0 | 0 |
| Wyoming | 0 | 0 | 0 |
| District of Columbia | 0 | 0 | 0 |
| Total | 0 | 6 | 0 |

Note: We do not countersign Agreements until the restaurants open.

The data in the tabular charts above only includes licenses under this offering, including licenses that operate as a 2n1 or 3n1, in which case the Unit will also be listed in the other brand's FDD. It does not include information on franchises offered under the Taco Bell traditional disclosure document.

Exhibit F lists the name, address, and phone number of the license Units in operation as of December 28, 2021.

Exhibit F also includes a list, by name, city, state, business telephone number or, if unavailable, last known home telephone number, of every licensee who has had a Unit terminated, canceled, not renewed, or otherwise voluntarily ceased to do business under the License Agreement during the year ended December 28, 2021 or who had not communicated with us within 10 weeks of the issuance date of this disclosure document. Of the 22 licensees listed in the closure/transferred section of Exhibit F, 10 are no longer Taco Bell licensees. The other licensees listed continue to have open Taco Bell Restaurants and current agreements with us.

If you buy this license, your contact information may be disclosed to other buyers when you leave the license system.

There are no trademark-specific licensee organizations associated with the Taco Bell license system that we have created, sponsored or endorsed. There are no trademark-specific licensee organizations associated with the Taco Bell license system that are incorporated or otherwise organized under state law and that have asked us to be included in our disclosure document during the next fiscal year.

During the last three fiscal years, neither we nor our predecessor, TBC, have signed any confidentiality clauses with a current or former licensee in a License Agreement, settlement agreement, or any other contract, restricting his or her ability to speak to you openly about his or her experience with the Taco Bell System.

## Item 21

## FINANCIAL STATEMENTS

We were formed on February 23, 2016. Exhibit G contains our audited balance sheets as of December 28, 2021 and December 29, 2020, and the related statements of income, member's equity, and cash flows for each of the fiscal years in the three-year period ended December 28, 2021, and the related notes to the financial statements.

## Item 22

## CONTRACTS

The following Agreements are attached as exhibits to this Disclosure Document:

| | |
|---|---|
| Exhibit B-1: | License Agreement |
| Exhibit B-2: | License Agreement Assignment and Release, Acceptance of Assignment, Consent to Assignment, Personal Guaranty and Owners' Agreement |
| Exhibit B-3: | Amendment to License Agreement |
| Exhibit C: | Release |
| Exhibit E: | Confidentiality Agreement |
| Exhibit H: | State Addenda to License Agreement |
| Exhibit I: | Asset Purchase Agreement |

## Item 23

## RECEIPTS

Exhibit K contains two copies of a detachable receipt.

# EXHIBIT A

# LIST OF STATE AGENCIES AND

# AGENTS FOR SERVICE OF PROCESS

**STATE AGENCIES**

CALIFORNIA

California Commissioner of the
Department of Financial
Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(866) 275-2677

ILLINOIS

Franchise Division
Office of Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706

INDIANA

Franchise Section
Indiana Securities Commission
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Williams Building
525 W. Ottawa Street
Lansing, Michigan 48913

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl.
New York, New York 10005

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

RHODE ISLAND

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804-371-9051)

WASHINGTON

Securities Division
Department of Financial Institutions
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
201 W. Washington Avenue – 3rd Fl.
Madison, Wisconsin 53703

**AGENTS FOR SERVICE OF PROCESS**

CALIFORNIA

California Commissioner of the Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344

ILLINOIS

Attorney General of the State of Illinois
500 South Second Street
Springfield, Illinois 62706

INDIANA

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
6586 Mercantile Way
Lansing, Michigan 48909

MINNESOTA

Commissioner of Securities
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198

NEW YORK

Secretary of State of the State of New York
99 Washington Avenue
Albany, New York 12231

NORTH DAKOTA

Securities Commissioner, State of North Dakota
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

RHODE ISLAND

Director of Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804-371-9733)

WASHINGTON

Director of the Securities Division
Department of Financial Institutions
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN

Commissioner of Securities
201 W. Washington Avenue – 3rd Fl.
Madison, Wisconsin 53703

# EXHIBIT B-1

# LICENSE AGREEMENT

# TACO BELL FRANCHISOR, LLC
# LICENSE AGREEMENT

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# TACO BELL FRANCHISOR, LLC
# LICENSE AGREEMENT

THIS AGREEMENT is made date, by and between TACO BELL FRANCHISOR, LLC, a Delaware limited liability company (the "Company"), and _____ (the "Licensee").

## RECITALS

A. The Company is the originator of a distinctive concept for the marketing, preparation and sale of certain Mexican and other style food products (the "TACO BELL RESTAURANTS" or the "Restaurants").

B. The Company owns or controls various trademarks, service marks, trade names, trade dress, designs (including product package designs), symbols, emblems, logos, insignias, external and internal building designs and architectural features and combinations of the foregoing (collectively, the "Trademarks"), which are used by it, its franchisees and its licensees in offering, selling and distributing its products and services. Some of the Trademarks are set forth and described on Appendix 1 to this Agreement.

C. The Company has developed, owns and has adopted for its own use and the use of its franchisees and licensees a unique system of quick service restaurant operation (the "Taco Bell System" or the "System"), consisting of a variety of distinctive sign and facility designs, equipment specifications and layouts, recipes, methods of food presentation and service, business techniques, copyrighted manuals and other materials, trade secrets, know-how and technology.

D. The Company has established, and is continuing to develop and operate, a chain of quick service "Taco Bell" and "Taco Bell Express" restaurants or units which are fundamentally uniform in image and in food style and which share many fundamental menu items and methods of operation (the “Taco Bell Chain").

E. The Taco Bell Chain enjoys widespread public acceptance due in part to (1) uniform high standards for the preparation, presentation and service of Taco Bell food; (2) an essentially uniform menu, image, appearance and methods of operation in all Restaurants and units; (3) uniform use of the System and the valuable and distinctive Trademarks; and (4) the Taco Bell franchisees' and licensees' commitments to maintain and enhance the goodwill and public acceptance of Taco Bell products, services and Restaurants by strict adherence to these uniform standards as they now exist and may be revised from time to time pursuant to this Agreement.

F. The Company has developed, owns and has adopted for its own use and the use of its licensees a unique system of quick service restaurant operation intended for facilities of constrained size, for serving a limited menu selected from the Taco Bell Systems menu items (the "Taco Bell®Express System"), consisting of a variety of distinctive sign and facility designs, equipment specifications, equipment layouts, recipes, methods of food presentation and service, business techniques, copyrighted manuals and other materials, trade secrets, know-how and technology.

G. The Licensee, aware of the above, has applied for a license and desires to establish and operate a Taco Bell Restaurant upon the terms and conditions set forth in this Agreement.

## WITNESSETH

The parties hereby act and agree as follows:

## SECTION 1: GRANT OF LICENSE

1.0 The Company hereby grants to the Licensee a limited license to use the Trademarks solely in direct connection with the sale of the food, beverage and other products referred to in Subsection 3.5 from the TACO BELL RESTAURANT to be established pursuant to this Agreement at the following location:

Unit No.
Site Name
address
city state zip
(the "Restaurant")

The grant of this limited license to use the Trademarks is further subject to the terms, conditions and limitations hereinafter set forth; including, among others, those contained in Section 14 entitled "TRADEMARKS."

1.1 Throughout the Term of this Agreement (as defined below), Licensee shall operate the Restaurant in strict accordance with the terms of this Agreement and shall perform all other obligations of the Licensee provided for by this Agreement.

## SECTION 2: TERM

2.0 This Agreement shall continue for a term of _____ (__) years, unless earlier terminated in accordance with any of the other conditions and provisions hereof (the "Term"), commencing with the date on which the Restaurant is opened for business to the public or one hundred and eighty (180) days from date, whichever is earlier (the “Effective Date”). If the Restaurant is not open for business within one hundred and eighty days of the immediately above date, this Agreement shall be null and void. Upon and after expiration of the Term (a) the Licensee shall have no expectation or right to continue, extend, renew, or otherwise replace the license granted in Section 1 of this Agreement or to continue to operate the Restaurant, and (b) the Company shall have no expectation or right to require the Licensee to continue to operate the Restaurant.

## SECTION 3: RESTAURANT SYSTEM AND PROCEDURES

3.0 To the extent deemed appropriate by the Company in its sole discretion, based on the Licensee's experience and performance at any particular time during the Term, the Company will use commercially reasonable efforts to furnish the Licensee with advice and assistance in managing and operating a TACO BELL RESTAURANT, including periodic visits by the Company's representatives. A Company representative will be available to advise the Licensee in coordinating the Restaurant pre-opening activities.

3.1 The Licensee shall devote its full time, best efforts and constant personal attention to the day to day operation of the Restaurant. In order to facilitate the devotion of such personal attention, either the Licensee or a qualified manager of the Restaurant shall maintain his or her personal principal residence within a usual driving time of approximately one hour from the Restaurant. Unless the Company shall have given its prior advance written approval, the Licensee shall have the Restaurant open for business during such hours as are specified by the Company in the Taco Bell® Answer System (the “Answer System”), which is the operations manual for licensed units. In addition, and without limiting the generality of the foregoing responsibilities, the Licensee shall:

(a) Operate the Restaurant in a clean, safe and orderly manner, providing courteous, first-class service to the public;

(b) Must undertake such initial and ongoing training and assistance as the Company in its discretion specifies. Licensee will bear the full cost of attendance by the Licensee and the Licensee’s employees at training programs

(c) Will ensure that at least one manager who has been certified by the Company as having successfully completed the Company’s current management training programs is present and on duty at the Restaurant at all times during all hours of operations.

(d) Diligently promote and make every reasonable effort to increase the sales and business of the Restaurant;

(e) Advertise the business of the Restaurant by the use of the Trademarks and such other insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or established from time to time by the Company and included in the Answer System;

(f) Prevent the use of the Restaurant for any immoral or illegal purpose, or for any other purpose, business activity, use or function which is not expressly authorized hereunder or in the Answer System;

(g) Follow and abide by the requirements of the Answer System (described below); and

(h) submit design drawings for the Restaurant incorporating the standards provided in the Company-provided Taco Bell Express Design Guide (or at the Licensee’s option hire the design services of the Company to provide the design); and, construct the Restaurant strictly in accordance with the plans and specifications stamped "approved" (including all approved revisions) by the Company’s Restaurant Planning & Design Department.

3.2 The Licensee hereby acknowledges receipt and loan of a copy of the Answer System, and shall faithfully, completely and continuously perform, fulfill, observe and follow all instructions, requirements, standards, specifications, systems and procedures contained therein; including, those dealing with the selection, purchase, storage, preparation, packaging, service and sale (including menu content and presentation) of all food and beverage products, and the maintenance and repair of Restaurant buildings, grounds, furnishings, fixtures, and equipment, as well as those relating to employee uniforms and dress, accounting, bookkeeping, record retention and other business systems, procedures and operations. By this reference, the Answer System, as presently constituted and as it may hereafter be amended and supplemented by the Company from time to time is incorporated in and made part of this Agreement. The Licensee acknowledges that the materials contained in the Answer System are integral, necessary and material elements of the System.

3.3 The Company shall have the right at any time and from time to time, in the good faith exercise of its reasonable business judgment, consistent with the overall best interests of TACO BELL RESTAURANTS generally, to revise, amend, delete from and add to the System and the material contained in the Answer System. The Licensee shall promptly comply with all such revisions, amendments, deletions and additions.

3.4 The Licensee understands, acknowledges and agrees that strict conformity with the System, including the standards, specifications, systems, procedures, requirements and instructions contained in this Agreement and in the Answer System, is vitally important to the success not only of the Company, but to the collective success of all Taco Bell Licensees, including the Licensee, by reason of the benefits all Licensees and the Company will derive from chain uniformity in food products, identity, quality, appearance, facilities and service among all TACO BELL RESTAURANTS. Any failure to adhere to the standards, specifications, requirements or instructions contained in this Agreement or in the Answer System shall constitute a material breach of this Agreement.

3.5 The Licensee shall offer for sale only from the Restaurant premises and at all times when the Restaurant is open for business all and only the food, beverages and other products expressly described in the Answer System, unless the Licensee shall have received the Company's prior written consent to any exception. No food, beverage or other products shall be offered or sold at or from the Restaurant under or in connection with any trademark or service mark other than the Trademarks without the prior written authorization of the Company in each case.

3.6 The Licensee further understands, acknowledges and agrees that the Company is the owner of all rights in and to the System, including the information and materials described or contained in the Answer System, and that the System**,** including such information and materials, constitutes trade secrets of the Company which are revealed to the Licensee in confidence, and that no right is given to or acquired by the Licensee to disclose, duplicate, license, sell or reveal any portion thereof to any person, other than an employee of the Licensee required by its work to be familiar with relevant portions thereof. The Licensee hereby represents, warrants and promises to keep and respect such confidences extended by the Company to the Licensee, to obtain from each of its Restaurant managers an agreement to keep and respect such confidences, and to be responsible for compliance by said employees with such agreements.

3.7 The Answer System and all such other materials furnished to the Licensee hereunder are and shall remain the property of the Company and shall be returned by the Licensee to the Company immediately upon the expiration or earlier termination of this Agreement for any reason.

3.8 During the term of this Agreement, the Licensee shall not, without the prior express written consent of the Company, directly or indirectly, perform any services for, engage in or acquire any financial, beneficial or equity interest in, any business similar to that of the Restaurant. In the event this Agreement is terminated by the Company for breach by the Licensee, the same restrictions shall apply for a period of one year following such termination, but only with respect to similar businesses operated within a one mile radius of the Restaurant. For purposes of this subsection, a "similar business" is a restaurant business which prepares or sells Mexican style food products. Notwithstanding the foregoing, the Licensee may own up to ten percent (10%) of the stock of a publicly traded company engaged in a similar business. If any court or other tribunal having jurisdiction to determine the validity or enforceability of this subsection determines that it would be invalid or unenforceable as written, then in such event the provisions hereof shall be deemed modified to the extent necessary to be valid and enforceable.

## SECTION 4: TRAINING

4.0 The Company shall make available to the Licensee and one Restaurant manager, the Company's TACO BELL RESTAURANT operations training course.

4.1 Before the Restaurant shall open for business, one person from the Licensee's organization who is designated to be the initial manager of the Restaurant shall either: (a) attend, for such period of time as the Company shall deem reasonably necessary, and complete the Company's training course to the reasonable satisfaction of the Company, or (b) otherwise be approved by the Company to manage the Restaurant. In the event this Agreement is the first license agreement between the Company and the Licensee, then before the Restaurant shall open for business, the Licensee shall also attend, for such period of time as the Company shall deem reasonably necessary, and complete the Company's training course to the reasonable satisfaction of the Company. If the Licensee fails to successfully complete the Company's training course, then at the option of the Company this Agreement may be terminated.

4.2 The Licensee and at least one Restaurant manager shall, from time to time as reasonably required by the Company, personally attend and complete a Company**-**provided refresher course in TACO BELL RESTAURANT operations.

4.3 The Licensee shall be responsible for the compliance of Restaurant operations with the standards, methods, techniques and material taught at the Company's operations training course, and shall cause the Restaurant employees to be trained in such standards, methods and techniques as are relevant to the performance of their respective duties.

4.4 Attendance of the Licensee and one manager of the Restaurant shall be tuition-free at all training courses, but at the Licensee's sole cost and expense, including, without limitation, the cost of travel, lodging, meals and other related and incidental expenses.

## SECTION 5: RESTAURANT MAINTENANCE

5.0 The Licensee shall, at the Licensee's sole cost and expense, maintain and repair the Restaurant, related equipment, signage, improvements, landscaping and the Restaurant premises in conformity with the standards, specifications and requirements of the System, as the same may be designated by the Company from time to time, and as appropriate replace any or all of

such items (other than the Restaurant building or premises). The Licensee shall replace equipment as necessary or desirable at the Licensee's cost and expense and obtain at its cost and expense any new or additional equipment as may be reasonably required by the Company for new products, procedures, administration, marketing or communication. Except as may be expressly provided in the Answer System, no alterations or improvements, or changes of any kind in design, equipment or decor shall be made in, on or about the Restaurant or Restaurant premises without the prior written approval of the Company in each instance. The Licensee shall at the Licensee's sole cost and expense, replace as necessary such equipment, signage, improvements and landscaping in conformity with such standards, specifications and requirements of the System.

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5.1 In order to assure the continued success of the Restaurant, the Licensee shall, from time to time as reasonably required by the Company (taking into consideration the cost and then remaining term of this Agreement), modernize or modify the image of the Restaurant building, premises and equipment to the Company's then current, reasonable standards and specifications. The Licensee's obligations under this subsection are in addition to, and shall not relieve the Licensee from, any of its other obligations under this Agreement, including those contained in the Answer System.

5.2 If the Licensee is or becomes a lessee of the Restaurant premises, the Licensee shall provide the Company with a true and correct, complete copy of any such lease, and shall have included therein provisions, in form satisfactory to the Company, expressly permitting both the Licensee and the Company reasonable opportunity to take all actions and make all alterations referred to under Subsection 15.2(b). Any such lease shall also require the lessor thereunder to give the Company reasonable notice of any contemplated termination and a reasonable time in which to take and make the above actions and alterations and provide that the Licensee has the unrestricted right to assign such lease to the Company.

## SECTION 6: ADVERTISING AND PUBLICITY

6.0 The Company shall develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all TACO BELL RESTAURANTS. It is expressly understood, acknowledged and agreed that in all phases of such advertising and promotion, including, without limitation, type, quantity, timing, placement and choice of media, market areas and advertising agencies, the decisions of the Company made in good faith shall be final and binding.

6.1 All advertising materials of the Licensee (including, but not limited to, television commercials, radio commercials, billboards, posters, placards, banners, countercards and window slicks, whether used inside or outside the Unit) using the Trademarks or pertaining to the Unit must be approved in writing prior to their use by the Licensee.

6.2 In order to maintain the high reputation of the Taco Bell System and for the benefit of all of its operators, the Licensee shall report immediately by telephone to the Company the occurrence of any incident at or concerning the Restaurant or the business conducted there which is or is likely to become the subject of publicity through the news media or otherwise. The Licensee hereby acknowledges that the Company alone is authorized to speak or make statements, public or private, on behalf of the Taco Bell brand or the Taco Bell System, and the Licensee shall in every instance consult and coordinate with the Company in advance of communicating with the media or of creating publicity for the brand or System outside the normal course of business.

## SECTION 7: FEES

7.0 As partial consideration for the rights granted hereunder, the Licensee shall pay the Company throughout the Term:

(a) An initial license fee of _____ Dollars ($_____) due upon execution hereof. The Licensee acknowledges that the granting of this license is the only consideration for the payment of this initial license fee; and

(b) A royalty fee for each of the Company's four-week accounting periods (or five-week accounting periods, as determined from time to time by the Company, each whether four or five weeks an "accounting period") equal to ten percent (10%) of Gross Sales (as defined below).

(c) Notwithstanding the foregoing, if a federal, state or local law in which the Restaurant is located prohibits or restricts in any way the Licensee’s ability to pay and/or the Company’s ability to collect that portion of the period royalty fee (identified in “(b)” above) related to Gross Sales deriving from the sale of alcoholic beverages at the Restaurant (an “Alcohol Restriction Law”), then the Licensee instead will be required to pay as the period royalty fee whatever increased percentages of the Restaurant’s non-alcoholic beverage Gross Sales (that is, total period Gross Sales minus the amount of Gross Sales derived from the Licensee’s sale of alcoholic beverages) as will result in the Licensee’s paying the period royalty fee which would otherwise pertain if the Licensee were not subject to an Alcohol Restriction Law.

7.1 Due Dates. Until notified otherwise by the Company, the periodic fees required pursuant to Subsection 7.0 shall be paid by check mailed and postmarked on or before the fifth (5th) business day immediately following the four (or five) week accounting period (as designated by the Company) in which such sales were made. When so notified by the Company, the periodic fees required pursuant to Subsection 7.0 shall be paid by electronic funds transfer received on or before the fifth (5th) business day immediately following the last day of the pertinent accounting period (as designated by the Company) in which such sales were made. Any payment which is not paid when due shall incur the then-customary administrative charge and shall bear interest from and after the due date at the rate of (i) eighteen percent (18%) per annum or (ii) the highest rate permitted by law, whichever is less.

7.2 Definition. The term "Gross Sales" as used in this Agreement shall mean the total of all cash or other payments received for the sale of food, beverages and other tangible property of every kind sold at, in, upon, or from the Restaurant**,** and all amounts which shall be received as compensation for any services rendered therefrom, excluding only sales taxes, employee meals, overrings and refunds to customers.

7.3 Taxes. All fees paid by the Licensee to the Company pursuant to this Agreement shall be paid to the Company net of any and all withholding, excise, gross receipts, sales, use and other similar taxes (other than state or federal corporate income tax of the Company), so that, for example, in the event any governmental entity would impose a tax of 5% on royalties paid by the Licensee hereunder, then the Licensee would pay to the Company 10.53% of the Restaurant's Gross Sales as the license fee instead of the 10% of Gross Sales payable without any such tax.

## SECTION 8: RECORD KEEPING

8.0 Purpose. The parties acknowledge the Company's need for consistent, accurate and timely information concerning the Licensee's business at the Unit so that it may evaluate the performance of the Licensee and the Unit.

8.1 System of Records. The Licensee shall use such bookkeeping and record keeping procedures as shall fairly reflect the Gross Sales, costs of labor, food and packaging and the financial results of the Unit or as may be prescribed in the Answer System.

8.2 Reports. The Licensee shall complete and submit to the Company on a regular continuous basis such reports as are required by the Answer System.

8.3 Without limiting the generality of Subsection 9.0, below, the Company representatives shall have the right at all times during normal business hours to confer with Restaurant employees and customers, and to inspect the Licensee's books, records and tax returns, or such portions thereof as pertain to the operation of the Restaurant business. All such books, records and tax returns shall be kept and maintained at the Restaurant premises or such other place as may be agreed to from time to time in writing by the parties. If any such inspection reveals that the Gross Sales reported in any report or statement are less than the actual Gross Sales ascertained by such inspection, then the Licensee shall immediately pay the Company the additional amount of fees owing by reason of the understatement of Gross Sales previously reported, together with interest and administrative charges as provided in Subsection 7.1. In the event that any report or statement understates Gross Sales by more than two percent (2%) of the actual Gross Sales ascertained by the Company's inspection, the Licensee shall, in addition to making the payment provided for in the immediately preceding sentence, pay and reimburse the Company for any and all expenses incurred in connection with its inspection, including, but not limited to, reasonable accounting and legal fees. Such payments shall be without prejudice to any other rights or remedies the Company may have under this Agreement or otherwise.

## SECTION 9: RESTAURANT INSPECTION

9.0 The Company shall have the right at any time and from time to time without notice to have its representatives enter the Restaurant premises for the purpose of inspecting the condition thereof and the operation of the Restaurant for compliance with the standards, specifications, requirements and instructions contained in this Agreement and in the Answer System, and for any other reasonable purpose connected with the operation of the Restaurant.

9.1 Ownership. If the Licensee is a corporation or other legal entity, it shall maintain an up-to-date ledger showing the names and addresses of its record and beneficial owners, showing all transfers of their interests and of restrictions and encumbrances thereupon. The Licensee shall produce such records, certified by its officer(s) to be correct, for inspection and copying by the Company at any reasonable time on ten (10) days prior written notice.

## SECTION 10: RELATIONSHIP OF PARTIES AND INDEMNIFICATION

10.0 The Licensee is not, and shall not represent or hold itself out as, an agent, legal representative, joint venturer, partner, employee or servant of the Company for any purpose whatsoever and, where permitted by law to do so, shall file a business certificate to such effect with the proper recording authorities. The Licensee is an independent contractor and is not authorized to make any contract, agreement, commitment, warranty or representation on behalf of the Company, or to create any obligation express or implied on behalf of the Company. The Licensee agrees that the Company is not, and the Licensee hereby covenants not to claim that the Company is, in any way a "fiduciary" as regards the Licensee. The Licensee shall not use the name TACO BELL or any similar words as part of or in association with any trade name or name of any business entity directly or indirectly associated with the Licensee.

10.1 Licensee agrees that it will, at its sole cost, at all times indemnify, defend and hold harmless the Company; any of the Company's parents, affiliates, subsidiaries, successors, assigns and designees; and, the officers, directors, managers, employees, agents, attorneys, shareholders, owners, members, designees and representatives of each of the foregoing (the Company and all others referenced above being the "Company Parties"), to the fullest extent permitted by law, from all claims, losses, liabilities and costs incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether any of the foregoing is reduced to judgment) or any settlement of the foregoing, which actually or allegedly, directly or indirectly, is related in any way to any element of the Licensee's establishment, design, construction, conversion, opening, remodeling, renovation and/or operation

of the Restaurant and/or Licensee's franchised business, including (without limitation) (i) any personal injury, death, or property damage suffered by any customer, visitor, operator, vendor, contractor, subcontractor, employee or guest of the Restaurant and/or Licensee's franchised business and (ii) all acts, errors, neglects or omissions of Licensee or Licensee's franchised business and/or any of its or their owners, officers, directors, management, employees, agent, servants, contractors, partners, proprietors, affiliates or representatives (or any third party acting on Licensee's behalf or direction) related to the operation of the restaurant; the preparation, offer and sale of food and beverage items thereat; and, all liabilities directly or indirectly arising from or related to any sale at or from the restaurant of beer, wine and/or other alcoholic beverages (including "dram shop" liabilities). As used above, the phrase "claims, losses, liabilities and costs" includes all claims; causes of action; fines; penalties; liabilities; losses; compensatory, exemplary, statutory, or punitive damages or liabilities; costs of investigation; court costs and expenses; actual attorneys' and experts' fees and disbursements; settlement amounts; judgments; compensation for damage to the Company's reputation and goodwill; travel, food, lodging and other living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by the Company Parties' attorneys and/or experts); all expenses of recall, refunds, compensation and public notices; and, other such amounts incurred in connection with the matters described. Licensee agrees to give the Company written notice of any such action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any Company Party within three days of Licensee's actual or constructive knowledge of it. At Licensee's sole expense and risk, The Company may elect to assume the defense and/or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation. The Company's undertaking of defense and/or settlement will in no way diminish Licensee's indemnification obligations hereunder.

Licensee agrees that any failure by the Company Parties to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable by the Company Parties from Licensee. The indemnification obligations of this Section will survive the expiration or sooner termination of this Agreement.

10.2 Licensee hereby irrevocably affirms, attests and covenants its understanding that Licensee's employees are employed exclusively by Licensee and in no fashion is any such employee either employed, jointly employed or co-employed by the Company. Licensee further affirms and attests that each of its employees is under the exclusive dominion and control of the Licensee and never under the direct or indirect control of the Company in any fashion whatsoever. The Company and Licensee hereby agree that, with respect to the employees working at or in the Restaurant, Licensee alone has the right and obligation, and the Company has absolutely no right or obligation, to:

(a) hire the employees;

(b) determine the employees' compensation and other benefits;

(c) establish the employees' schedules;

(d) pay all salaries, benefits, and employee-related liabilities, e.g., workers' compensation; payroll taxes;

(e) discipline or terminate the employees;

(f) determine the number of employees working at the Restaurant (subject to any minimum staffing guidelines the Company may publish for the purpose of ensuring Licensee has the capability at all times to satisfy the Company's food safety and product quality standards);

(g) train the employees as it sees fit (subject to the use of the Company's training materials, developed to ensure customers receive a consistent brand experience, and full compliance with the Company's food safety and product quality standards).

Finally, should it ever be asserted that the Company is the employer, joint employer or co-employer of any of Licensee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Licensee irrevocably agrees to assist the Company in defending said allegation, including (if necessary) appearing at any venue requested by the Company to testify on the Company's behalf (and, as may be necessary, submitting itself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that the Company is the employer, joint employer or co-employer of any of Licensee's employees). To the extent the Company is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Licensee, then should any such appearance by Licensee be required or requested by the Company, it will recompense Licensee the reasonable costs associated with Licensee appearing at any such venue (including travel, lodging, meals and *per diem* salary).

## SECTION 11: INSURANCE

11.0 The Licensee shall procure before the commencement of Restaurant operations and maintain in full force and effect during the entire term of this Agreement, at its sole cost and expense, an insurance policy or policies protecting the Licensee and the Company against any and all loss, liability or occurrence, arising out of or in connection with the condition, operation, use or occupancy of the Restaurant or Restaurant premises. The Company shall be named as an additional insured in all such policies, workers' compensation excepted. Such policy or policies shall be written by an insurance company or companies satisfactory to the Company and with a minimum Best's Rating of A- or other such comparable rating and shall include coverage in at least the following types and amounts:

| KIND OF INSURANCE | MINIMUM LIMITS OF LIABILITY |
|---|---|
| Workers' Compensation | Statutory |
| Employers' Liability | $2,000,000 per occurrence |
| Commercial General Liability | $2,000,000 per occurrence<br>$5,000,000 annual aggregate |
| Products Liability | per occurrence included in<br>Commercial General Liability,<br>separate annual aggregate of $5,000,000 |
| Liquor Liability Insurance | $3,000,000 annual aggregate per common cause and as further set out below |

The insurance afforded by the policy or policies shall be primary with respect to insurance maintained by the Company and shall not be limited in any way by reason of any insurance which may be maintained by the Company. Subject to the express prior written approval of the Company (which the Company may withhold in its good faith discretion), that such program would not put the Company at any greater risk or exposure than would coverage from insurers described above, and to the Licensee's full compliance with all pertinent laws and regulations, the Licensee may satisfy its obligations with respect to Workers' Compensation coverage through a self-insurance program. Licensee is only required to maintain Liquor Liability Insurance if serving alcoholic beverages at the Restaurant. Licensee is required to maintain such Liquor Liability Insurance with limits of not less than the equivalent of $3,000,000.00 each common cause and $3,000,000.00 annual aggregate covering bodily injury and property damage if liability for either bodily injury or property damage is imposed by reason of the selling, serving or furnishing of any alcoholic beverage by Licensee.

11.1 Within thirty (30) days after the execution of this Agreement, but in no event later than one week before the Restaurant opens for business, Certificates of Insurance showing compliance with the requirements of Subsection 11.0 shall be furnished by the Licensee to the Company for approval. Such certificates shall state that the policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to the Company. Maintenance of such insurance and the performance by the Licensee of its obligations under this Section 11 shall not relieve the Licensee of liability under the indemnity provisions of this Agreement or limit such liability.

11.2 The Licensee shall maintain an all-risk property insurance (fire) policy on the Restaurant buildings and other improvements, equipment, furnishings, fixtures, signage and any additions. The policy shall be written on the basis of replacement cost of the property and shall include a minimum of six months' coverage for business interruption. Such policy or policies shall be written by an insurance company with a minimum Best's Rating of A- or other such comparable rating.

11.3 Should the Licensee, for any reason, not timely procure and maintain the insurance coverage required by this section, then the Company shall have the right and authority to immediately procure such insurance coverage as part of or separate from its own policies, in its sole discretion, and to charge the cost thereof to the Licensee, which charges shall be paid immediately upon notice and shall be subject to charges for late payments in the manner set forth in Subsection 7.1.

11.4 The Licensee’s insurance shall be endorsed to add the Company and each of its parents, subsidiaries, affiliates, officers, shareholders, members, directors, and employees as additional insureds.

## SECTION 12: DEBTS AND TAXES

12.0 The Licensee shall pay promptly when due all obligations incurred directly or indirectly in connection with the Restaurant and its operation, including, without limitation, all taxes and assessments that may be assessed against the Restaurant land, building and other improvements, equipment, fixtures, signs, furnishings and other property, and all liens and encumbrances of every kind and character created or placed upon or against any of said property (subject, however, to any conflicting provisions of any arm’s length, bona fide lease or leases of any of the foregoing property), and all accounts and other indebtedness of every kind and character incurred by or on behalf of the Licensee in the conduct of the Restaurant business.

## SECTION 13: SALE AND ASSIGNMENT

13.0 The Licensee's rights and interests under this Agreement and any interest in any of the Restaurant land, building, equipment, fixtures or other things which are subject to the provisions of this Agreement shall not be subject to sale, assignment, transfer or encumbrance, including the granting of any lien or security interest (all of which are hereinafter included within the term "transfer") in whole or in part in any manner whatsoever without the prior express written consent of the Company. The Company will not, however, unreasonably withhold its consent to any proposed sale or assignment. In considering a request for transfer, the Company will consider, among other things, the qualifications, apparent ability and credit standing of the proposed transferee as if the same were a prospective, direct licensee of the Company. In addition, the Company shall require as a condition precedent to the granting of its consent with respect to any transfer that:

(a) there shall be no existing default in the performance or observance of any of the Licensee's obligations under this Agreement or any other agreement with the Company and the Restaurant shall be in condition and appearance satisfactory to the Company and in accordance with its standards at that time;

(b) the Licensee shall have settled all outstanding accounts with the Company and its affiliates and executed a Release in a form satisfactory to the Company;

(c) the Licensee shall have paid the Company its then current transfer fee applicable to the type of transfer proposed. The amount of the transfer fee will be set by the Company from time to time and will be limited to the Company's good faith estimate of its costs and expenses expected to be incurred in connection with investigating the qualifications of the proposed transferee, training the proposed transferee and the direct administrative costs of reviewing and effecting the transfer;

(d) unless already a Taco Bell licensee, the proposed transferee shall have personally attended and satisfactorily completed the Company's tuition-free training program; and

(e) the proposed transferee shall have executed the Company's then current form of License Agreement for a term equal to the remaining term of this Agreement but requiring no initial license fee and requiring no greater periodic license fee than the applicable fee set forth in Subsection 7.0(b) above,

except that the items described in clauses (c) and (d) above shall not be required with respect to a proposed transferee that is only to receive the benefits of a lien or security interest or borrowed money. Neither this Agreement nor any of the rights or interests conferred on the Licensee hereunder shall be retained by the Licensee as security for the payment of any obligation that may arise by reason of any such transfer.

13.1 It is acknowledged and agreed that a material part of the consideration for the Company's entering into this Agreement is the personal confidence reposed in the Licensee, and no person shall succeed to any of the rights of the Licensee under this Agreement by virtue of any voluntary or involuntary proceeding in foreclosure, bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors or other legal process.

13.2 Except as expressly provided for herein, any attempt by the Licensee to transfer any of its rights or interests under this Agreement shall constitute a material breach of this Agreement and the Company shall have the right to terminate this Agreement. The Company shall not be bound by any attempted sale, assignment, transfer, conveyance or encumbrance in any manner whatsoever, by law or otherwise, of any of the Licensee's rights or interests under this Agreement.

13.3 If the Licensee desires to conduct business in a corporate capacity, the Company will consent to the assignment of this Agreement to a corporation approved by the Company, provided that the Licensee complies with the provisions hereinafter specified and any other condition which the Company may require, including restrictions on the number, identity and legal status of stockholders of the assignee corporation. Such assignee corporation shall be closely held and shall not engage in any business activity other than that directly related to the operation of Taco Bell Restaurants licensed by the Company.

If the Licensee's rights are assigned to a corporation, the individual Licensee named herein or otherwise expressly designated in writing by the Company shall at all times be the legal and beneficial owner of at least 51% of the stock of the assignee corporation, and shall act as such corporation's principal officer; provided, however, subject to the express prior written consent of the Company, such stock may be held in trust by a trustee under a trust indenture, with each trustee and beneficiary of such trust personally guaranteeing all of the obligations of the Licensee hereunder. Any issuance or transfer of stock in such corporation shall be treated for the purposes of this Agreement as a transfer of the Licensee's rights under this Agreement requiring the Company's consent as provided herein. The Licensee must prior to any issuance or transfer of any stock furnish the Company with a written notice containing the details of such proposed issuance or transfer in advance thereof. The Articles of Incorporation and the By-Laws of the assignee corporation shall reflect that the issuance and transfer of shares of stock are restricted, and all stock certificates shall bear the following legend, which shall be printed legibly and conspicuously on the face of each stock certificate:

"The transfer of this stock is subject to the terms and conditions of a franchise agreement with Taco Bell Franchisor, LLC and certain restrictions set forth in the charter and bylaws of this corporation, and no such transfer shall be valid unless Taco Bell Franchisor, LLC has consented thereto."

The Licensee acknowledges that the purpose of the aforesaid restriction is to protect the Company's trademarks, service marks, trade secrets and operating procedures as well as the Company's general**,** high reputation and image, and is for the mutual benefit of the Company, the Licensee and other franchisees of the Company. The Company shall not unreasonably restrict the issuance or transfer of shares of stock, provided that in no event shall any share of stock of such assignee corporation be sold, transferred or assigned to a business competitor of the Company.

13.4 The Licensee shall at all times throughout the term of this Agreement have on file with the Company the name of a designated successor agent, approved by the Company, and authorized by the Licensee to make, subject to and immediately upon the death or legal incapacity of the Licensee (or if the Licensee is not an individual, its designated agent), all operating decisions with respect to the Restaurant business (including but not limited to hiring and severance of employment, voting in the Local Association, purchasing, maintenance, etc.). Not less often than once each calendar year, the Licensee shall confirm or change in writing such designated successor agent.

In the event of the death or legal incapacity of any person owning the legal or beneficial interest in 10% or more of the outstanding stock of the Licensee, the rights and obligations of the Licensee or of such stockholder hereunder shall inure to the benefit of such of the executors, administrators, heirs, conservators or legatees of the Licensee or such stockholder (collectively the "Legatee") as shall (i) elect, in a written notice received by the Company within one hundred twenty (120) days after the date of death, or the judicial determination of legal incapacity, to perform all of the duties and obligations required to be performed, fulfilled and observed by the Licensee under this Agreement and (ii) be determined by the Company, in its good faith discretion, to be able to perform such duties and obligations. In the event the Company determines that the Legatee is not capable of performing all of the duties and obligations required to be performed by the Licensee under this Agreement, the Legatee shall use best efforts within the six (6) months from the date of written notice from the Company to sell the subject interest hereunder to a bona fide purchaser in accordance with and subject to all of the provisions of this Section 13. If by the end of such six month period, the Legatee has not effectuated a transfer of such interest in a transaction which meets the requirements of this Section 13, the Company shall have the option to purchase the subject interest in the Restaurant and license at the fair market value thereof as determined in good faith through negotiation or, failing that, upon written demand of either party, by three appraisers, with the Company and the Legatee each selecting one appraiser and the two appraisers so chosen selecting the third appraiser, with their cost to be shared equally between Legatee and the Company.

13.5 The Company has the right to assign all of its rights and privileges under this Agreement to any person or business entity. If the Company assigns this Agreement, the Licensee expressly agrees that immediately upon and following such assignment, the Company no longer will have any obligation - - directly, indirectly or contingently - - to perform or fulfill any duties or obligations imposed upon the “Company” hereunder. Instead, all such duties and obligations will be performed solely by the Company’s assignee, and the Licensee agrees never to assert otherwise.

The Licensee agrees and affirms that the Company may undertake a refinancing, recapitalization, or other economic or financial restructuring. The Licensee expressly waives any and all claims, demands or damages arising from or related to such activities.

## SECTION 14: TRADEMARKS

14.0 The Licensee acknowledges the sole and exclusive right of the Company (except for rights granted under existing and future franchise and license agreements) to use the Trademarks in connection with the products and services to which they are or may be applied by the Company, and represents, warrants and agrees that neither during the Term of this Agreement nor after the expiration or other termination hereof, shall the Licensee directly or indirectly contest or aid in contesting the validity, ownership or use of the Trademarks by the Company or take any action whatsoever in derogation of the rights claimed therein by the Company.

14.1 The license granted to the Licensee under this Agreement to use the Trademarks is non-exclusive and the Company, in its sole and absolute discretion, has the right to grant other licenses in, to and under the Trademarks in addition to those licenses already granted, both within and outside the Restaurant trading area, and to develop and license other names and marks on any such terms and conditions as the Company deems appropriate.

14.2 The Licensee understands and expressly acknowledges and agrees that the Company has the exclusive, unrestricted right to engage directly and indirectly, through its employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, within the Restaurant trading area and elsewhere, in (a) the production, distribution and sale of food products and beverages (including, without limitation, tacos, taco shells, sauces and fillings, and other Mexican style food products) under the Trademarks licensed hereunder or other marks; and (b) the use, in connection with such production, distribution and sale, of any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by the Company, whether or not included in Appendix 1.

14.3 Except as expressly permitted by this Agreement and the Answer System, the license granted under this Agreement does not include any right or authority of any kind whatsoever to pre-package or sell pre-packaged food products or beverages under the Trademarks.

14.4 Nothing contained in this Agreement shall be construed to vest in the Licensee any right, title or interest in or to the Trademarks, the goodwill now or hereafter associated therewith, or any right in the design or any restaurant building, other than the rights and license expressly granted herein for the Term. Any and all use of the Trademarks as well as the goodwill associated with or identified by the Trademarks shall inure directly and exclusively to the benefit of the Company, including without limitation any goodwill resulting from operation and promotion of the Restaurant.

14.5 The Licensee shall not use the Trademarks or refer to the Company or the System in connection with any statement or material, or do or fail to do anything else, which may, in the judgment of the Company, be in bad taste or inconsistent with the Company's public image, or tend to bring disparagement, ridicule or scorn upon the Company, the System, the products or services of the System, or the Trademarks or the goodwill associated therewith. The Licensee, whether doing business as a proprietorship, partnership, corporation or other entity, shall not adopt, use or register (by filing a certificate or articles of incorporation, a fictitious business name statement, or otherwise) any trade or business name, style or design which includes, abbreviates, or is similar to, any of the Company's trademarks, service marks, trade names, logos, insignia, slogans, emblems, symbols, designs or other identifying characteristics.

14.6 The Company shall have the right at any time and from time to time upon notice to the Licensee to make additions

to, deletions from, and changes in the Trademarks, or any of them, all of which additions, deletions and changes shall be as effective as if they were incorporated in this Agreement. All such additions, deletions and changes shall be made in good faith, on a reasonable basis and with a view toward the overall best interest of the Taco Bell System. The Company will use commercially reasonable efforts to protect and preserve the integrity and validity of the Trademarks, including the taking of actions deemed by the Company to be appropriate in the event of any apparent infringement of the Trademarks.

14.7 The Licensee shall notify the Company promptly of any claims or charges of trademark infringement against the Company or the Licensee, as well as any information the Licensee may have of any suspected infringement of the Trademarks. The Licensee shall take no action with regard to such matters without the prior written approval of the Company, but shall cooperate fully with the Company in any such action.

14.8 The Licensee shall adopt and use the Trademarks only in the manner expressly approved by the Company from time to time during the Term.

## SECTION 15: EXPIRATION AND TERMINATION

15.0 This Agreement shall immediately terminate without notice if a petition in bankruptcy, an arrangement for the benefit of creditors, a petition for reorganization is filed by or against the Licensee, or if the Licensee shall make any assignment for the benefit of creditors, or if a receiver or trustee is appointed for the Restaurant;

15.1 The Company shall have the right to terminate this Agreement immediately:

(a) in the event of any breach or default under Sections 3.1, 3.8, 4.1, 8, 9.0, 13.2, or 14.0;

(b) if the Licensee for any reason loses its right to possession of the Restaurant premises, closes or is required to close, or abandons the Restaurant;

(c) if the Company discovers that the Licensee has made any material misrepresentation or omitted any material fact in the information furnished by the Licensee in connection with the grant of this Taco Bell license;

(d) if the Licensee (or any director, partner, officer, or shareholder of the Licensee) is convicted of any felony or commits any crime, offence or act which in Company's reasonable judgment is likely to adversely affect the goodwill of the Company, the Marks, the System or the System Property;

(e) if the Licensee shall knowingly or recklessly serve in the Unit food which has been adulterated or misbranded, or which is unsafe or which has been packaged, prepared, cooked or maintained in violation of any governmental statute or regulation intended to protect the public health or safety;

(f) if the Licensee shall under-report the Gross Sales of the Unit to the Company by 10% or more for any six (6) month period;

(g) if the Licensee knowingly or negligently maintains false records in respect of the Restaurant or submits any false report to the Company

(h) if the Licensee shall breach this Agreement otherwise than as described in (a)-(g) above, but in such a way that no cure is reasonably possible; or

(i) if the Licensee shall commit any other material breach of this Agreement.

Any default or breach by Licensee, Licensee's Affiliates, Licensee's Owners, or Obligors of any agreement between the Company or the Company's Affiliates and Licensee, Licensee's Affiliates, Licensee's Owners or Obligors will be deemed a breach and default under this Agreement, and any breach or default of this Agreement by Licensee, Licensee's Affiliates, Licensee's Owners or Obligors will be deemed a breach of any other agreement between the Company or the Company's Affiliates and Licensee, Licensee's Affiliates, Licensee's Owners or Obligors. If the nature of the default under any agreement would have permitted the Company or the Company's Affiliate to terminate this Agreement if the default had occurred under this Agreement, then the Company will have the right to terminate all such other agreements in the same manner provided for in this Agreement for termination hereof. For purposes of this Section 15, "Affiliates" means any persons or entities controlling, controlled by or under common control with another person or entity, "Owners" means any persons or entities who own or hold some interest or perform some role or function in Licensee, and "Obligors" means Owners who are party to a relationship agreement among the Company, Licensee and others.

If the Licensee defaults in the performance or observance of any of its other obligations hereunder or under any other agreement between the Licensee or Licensee's affiliates, on the one hand, and the Company, on the other hand, and such default continues for a period of thirty (30) days after written notice to the Licensee, the Company may at any time thereafter terminate this Agreement as well as any other agreement between the Company and Licensee or Licensee's affiliates. A repetition within a one-year period of any default shall justify the Company in terminating this Agreement without allowance for any curative period. The foregoing provisions of this Subsection

15.1 are subject to the provisions of any statutes or regulations which may prohibit the Company from terminating this Agreement without good cause or without giving the Licensee additional prior written notice of termination and opportunity to cure any default. In the event of any termination for failure of the Licensee to successfully complete the Company's TACO BELL RESTAURANT operations training course pursuant to Subsection 4.1, the Company shall refund to the Licensee the initial license fee payment referred to in Subsection 7.0(a), less any expenses incurred and damages sustained by the Company in connection with its performance hereunder prior to the date of such termination. For purposes of this Agreement, "affiliate" shall mean any and all persons or entities controlling, controlled by or under common control with Licensee.

15.2 Upon the expiration or earlier termination of this Agreement for any reason, the Licensee shall:

(a) immediately discontinue the use of the System and Trademarks;

(b) if the Restaurant premises are owned by the Licensee or leased from a third party, upon demand by the Company, remove the Trademarks from all buildings, signs, fixtures and furnishings, remove and dispose of all proprietary smallwares and equipment, including the production lines, in the manner specified by the Company, and alter and paint all buildings and other improvements maintained pursuant to this Agreement to a design and color which is basically different from any of the Company's authorized building designs and painting schedules.

If the Licensee shall fail to make or cause to be made any such removal, alteration or repainting within thirty (30) days after written notice, then the Company shall have the right to enter upon the Restaurant premises, without being deemed guilty of trespass or any other tort, and make or cause to be made such removal, alterations and repainting at the reasonable expense of the Licensee, which expense the Licensee shall pay the Company upon demand; and

(c) not thereafter use any trademark, trade name, service mark, logo, insignia, slogan, emblem, symbol, design or other identifying characteristic that is in any way associated with the Company or similar to those associated with the Company, or operate or do business under any name or in any manner that might tend to give the public the impression that the Licensee is or was a licensee or Licensee of, or otherwise associated with, the Company.

15.3 In the event that either party initiates any legal proceeding to construe or enforce the terms, conditions and provisions of this Agreement, including its termination provisions, or to obtain damages or other relief to which either may be entitled by virtue of this Agreement, the prevailing party shall be paid its reasonable attorneys' fees and costs by the other party.

If the Licensee refuses to comply with a notice of termination given by the Company and a court later upholds such termination of this Agreement, operation of the Restaurant by the Licensee from and after the date of termination stated in such notice shall constitute trademark infringement by the Licensee and the Licensee shall be liable to the Company for damages resulting from such infringements in addition to any royalties paid or payable hereunder, including, without limitation, any profits of the Licensee at the Restaurant level (without deduction from sales revenues for any compensation or charges payable to the Licensee or any entity owned or controlled by the Licensee), which profits in no event shall be calculated as less than ten percent (10%) of the Licensee's Gross Sales. No such payment or obligation for payment shall in any way imply or be construed to imply or reflect any right of the Licensee to operate the Restaurant after expiration or termination of this Agreement.

15.4 Upon the expiration or termination of this Agreement, the Company shall have the option, but not the obligation, of purchasing or assuming the lease of some or all of the usable proprietary equipment and signage used at the Unit (and removing it from the premises) at the then current book value on the Licensee's books.

15.5 If this Agreement is terminated as a result of repudiation, default or other action by the Licensee without material breach hereof by the Company, the Licensee (in addition to any other remedy or right the Company may have) shall pay to the Company in lump sum as liquidated damages an amount equal to ten percent (10%) times the Restaurant's Gross Sales (as defined in Subsection 7.2 above) for the twelve months immediately preceding termination of this Agreement. In the event Licensee has not provided its Gross Sales for the twelve months immediately preceding termination of this Agreement, Licensee shall pay to Taco Bell in lump sum $80,000.00. The parties hereby acknowledge and agree that the precise amount of the Company's actual damages in such event would be extremely difficult to ascertain and that the foregoing sum represents a reasonable estimate of such actual damages, based upon the approximate time it would take the Company to open another TACO BELL RESTAURANT in the vicinity.

15.6 The Licensee acknowledges that termination and money damages alone are not an adequate remedy for any breach by the Licensee of any provision of this Agreement, including continuing to operate the Restaurant or to use the Trademarks following expiration or termination of this Agreement, each of which operation or use shall be deemed to inflict irreparable harm upon the Company for which there may be no adequate remedy at law. Therefore, in the event of a breach or threatened breach of any provision of this Agreement by the Licensee, including continuing to operate the Restaurant or to use the Trademarks following expiration or termination of this Agreement (each of which the Licensee acknowledges shall constitute trademark infringement), the Company, in addition to all other remedies, shall have the right to immediately seek, obtain and enforce temporary and permanent injunctive relief prohibiting the breach, or to compel specific performance, without the need to post any bond or for any other undertaking, including without limitation proving the inadequacy of monetary damages or that due cause existed for the termination.

## SECTION 16: MISCELLANEOUS

16.0 Waiver. The waiver by the Company of any breach or default, or series of breaches or defaults, of any term, covenant or condition herein or of any same or similar term, covenant or condition in any other agreement between the Company and any Licensee or licensee, shall not be deemed a waiver of any subsequent or continuing breach or default of the same or any other term, covenant or condition contained in this Agreement, or in any other agreement between the Company and any Licensee or licensee.

16.1 Cumulative Remedies. All rights and remedies of the Company shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies 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. The rights and remedies of the Company shall be continuing and not 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 or earlier termination of this Agreement shall not discharge or release the Licensee from any liability or obligation then accrued or any liability or obligation continuing beyond or arising out of the expiration or earlier termination of this Agreement.

16.2 Partial Invalidity. If any part of this Agreement shall for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions shall not be affected thereby and such remaining portions shall remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid; provided, however, that in the event any part hereof relating to the payment of fees to the Company, or the ownership or preservation of the Trademarks, trade secrets or secret formulae licensed or disclosed hereunder is for any reason declared invalid or unenforceable, then the Company shall have the option of terminating this Agreement upon written notice to the Licensee.

16.3 Choice of Law. The Licensee acknowledges that the Company will grant numerous licenses throughout the United States on terms and conditions similar to those set forth in this Agreement and that it is of mutual benefit to the Licensee and to the Company that these terms and conditions be uniformly interpreted. This Agreement, all relations between the parties, and, any and all disputes between Licensee and Company, whether such dispute sounds in law, equity or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement is not enforceable under the laws of New York, and if Licensee's licensed business is located outside of New York and the provision would be enforceable under the laws of the state in which the licensed business is located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. This Section is not intended to invoke, and shall not be deemed to invoke, the application of any franchise, business opportunity or similar law of the State of New York which would not otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law.

16.4 Jurisdiction and Venue. With respect to any court proceeding between the Licensee and the Company concerning the enforcement, construction or alleged breach or termination of this Agreement, the Licensee hereby submits to the personal jurisdiction and venue of the federal and California state courts located in Orange County, California, for all such matters, and promises not to commence against the Company any court proceeding concerning such matters in any other courts.

16.5 Notices. Any notice from the Company that is required hereunder to be given in writing, and all notices from the Licensee to be given hereunder, shall be in writing and shall be deemed given when first tendered or received, whether in person, through United States mail or through reputable private delivery service, during normal business hours for the locale of the addressee at the appropriate address set forth below, or such other address as one party may hereafter provide to the other with not less than three (3) days' notice.

| | | | |
|---|---|---|---|
| **THE COMPANY:** | TACO BELL FRANCHISOR, LLC | **THE LICENSEE:** | Name |
| | 1 Glen Bell Way | | address |
| | Irvine, California 92618 | | city state zip |
| | Attn: General Counsel | | Attn: |

16.6 Terms and Headings. Whenever any word is used in this Agreement in one gender, it shall also be construed as being used in the other genders, and singular usage shall include the plural and vice versa, all as the context shall reasonably require. The headings inserted in this Agreement are for reference purposes only and shall not affect the construction of this Agreement or limit the generality of any of its provisions.

16.7 Compliance with Laws. The Licensee shall at its own cost and expense, promptly comply with all laws, ordinances, orders, rules, regulations, and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards, and offices thereof. Without limiting the generality of the foregoing, the Licensee shall abide by all applicable rules and regulations of any Public Health Department having jurisdiction over the Restaurant.

16.8 Lease of Land and Building. In the event that the parties have executed a lease of land or building relating to the premises described in Subsection 1.0 (the "Lease"), such Lease is hereby incorporated in this Agreement by reference, and any failure on the part of the Licensee (lessee therein) to perform, fulfill or observe any of the covenants, conditions or agreements contained therein

shall constitute a material breach of this Agreement. It is expressly understood, acknowledged and agreed by the Licensee that any termination of the Lease resulting in the Licensee's loss of possession of the Restaurant shall result in immediate termination of this Agreement without further notice.

16.9 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between the parties and supersede and cancel any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof. Nothing in the preceding sentence, however, is intended to disclaim the representations the Company made in the franchise disclosure document that the Company has provided to the Licensee. THE LICENSEE EXPRESSLY ACKNOWLEDGES THAT IT HAS ENTERED INTO THIS AGREEMENT AS A RESULT OF ITS OWN INDEPENDENT INVESTIGATION AND AFTER CONSULTATION WITH ITS OWN ADVISERS AND NOT AS A RESULT OF ANY REPRESENTATIONS OF THE COMPANY, ITS AGENTS, OFFICERS OR EMPLOYEES EXCEPT AS CONTAINED HEREIN AND IN THE COMPANY'S FRANCHISE DISCLOSURE DOCUMENT.

16.10 Amendment or Modification. Except as expressly authorized herein, no amendment or modification of this Agreement shall be binding unless executed in writing by both the Company and the Licensee.

IN WITNESS WHEREOF, the parties personally or through their duly authorized signatories have executed this Agreement in duplicate on the day and year written below.

**TACO BELL FRANCHISOR, LLC**

By_____
Its _____

Date: _____

**LICENSEE**

_____
Name Date

_____
Name Date

**APPENDIX 1**
**TRADEMARKS**

The Company has registered with the United States Patent and Trademark Office the following active trademarks:

| Mark | Reg. No. | Reg. Date |
|---|---|---|
| Taco Bell (Class 42) | 0,820,073 | 12/06/1966 |
| Taco Bell within Tumbling Blocks (Class 42) | 0,856,207 | 09/03/1968 |
| Taco Bell (Class 30) | 0,879,582 | 10/28/1969 |
| Burrito Supreme (Class 29) | 1,050,189 | 10/12/1976 |
| Bell Design No. 2 (Class 42) | 1,322,737 | 02/26/1985 |
| Taco Bell and Bell Design No. 2 in 1984 Logo (Class 43) | 1,322,738 | 02/26/1985 |
| Taco Bell in 1984 Logo Distinctive Lettering (Class 42) | 1,322,739 | 02/26/1985 |
| Bell Design No. 2 in color (Class 42) | 1,330,236 | 04/09/1985 |
| Soft Taco Supreme (Class 30) | 1,551,516 | 08/08/1989 |
| MexiMelt (Class 30) | 1,528,496 | 03/07/1989 |
| The Bell (Class 42) | 1,765,386 | 04/13/1993 |
| Taco Bell (Class 30) | 1,874,786 | 01/17/1995 |
| Taco Supreme (Class 30) | 1,920,011 | 09/19/1995 |
| Taco Bell (Class 42) | 1,924,335 | 10/03/1995 |
| Bell Design No. 6 (Class 42) | 2,006,124 | 10/08/1996 |
| Double Decker (Class 30) | 2,090,212 | 08/19/1997 |
| Taco Bell and Bell Design No. 6 Logo No. 2 (Class 42) | 2,105,501 | 10/14/1997 |
| Taco Bell and Bell Design No. 6 Logo No. 1 (Class 29) | 2,105,502 | 10/14/1997 |
| Taco Bell (Class 30) | 2,114,014 | 11/18/1997 |
| Taco Bell and Design No. 7 (in color) (Class 30, 43) | 2,816,454 | 02/24/2004 |
| Double Decker (Class 30) | 2,860,026 | 06/07/2004 |
| Think Outside The Bun with Taco Bell and Bell Design No. 7 (Class 30, 43) | 3,020,103 | 11/29/2005 |
| Think Outside The Bun (Class 30, 43) | 3,020,149 | 11/29/2005 |
| Crunchwrap Supreme (Class 30) | 3,102,200 | 06/06/2006 |
| Crunchwrap (Class 30) | 3,108,135 | 06/20/2006 |
| Taco Bell (in color) (Class 43) | 3,501,311 | 09/16/2008 |
| Taco Bell (Class 36) | 3,676,436 | 03/05/2009 |
| Bell Design No. 6 (in color) (Class 43) | 3,629,938 | 06/02/2009 |
| Feed the Beat (Class 35,41) | 3,735,825 | 01/12/2010 |
| Bong (Sound Mark) (Class 43) | 3,736,968 | 01/12/2010 |
| Taco Bell & Bell Design No. 7 (Class 9) | 4,102,936 | 02/21/2012 |
| Happier Hour (Class 32) | 4,238,926 | 02/21/2012 |
| GCTB (Class 9, 35) | 4,176,296 | 07/17/2012 |
| Live Más (Class 43) | 4,243,633 | 11/13/2012 |
| Bell Design with Mission Window (Class 43) | 4,295,975 | 02/26/2013 |
| Taco Bell & Bell Design #7 with Live Más Horizontal (Class 43) | 4,382,469 | 08/13/2013 |
| Loaded Grillers (Class 30) | 4,468,046 | 01/14/2014 |
| $1 Cravings Menu (Class 43) | 4,465,403 | 01/14/2014 |
| Happier Hour (Class 32) | 4,651,267 | 12/09/2014 |
| Bell Design No. 6 (Class 43) | 4,682,267 | 02/03/2015 |
| Taco Bell (Class 29, 30, 32 & 43) | 4,780,421 | 07/28/2015 |
| Taco Bell and Bell Design No. 7 (in Color) (Class 43) | 4,873,041 | 12/22/2015 |
| Cantina Power Menu (Class 43) | 4,909,527 | 03/01/2016 |
| Taco Bell and Bell Design #7 with LIVE MÁS Vertical (Class 43) | 4,923,059 | 03/22/2016 |
| TA.CO with Mission Window Design | 4,964,550 | 05/24/2016 |
| Quesalupa (Class 30) | 5,037,135 | 09/06/2016 |
| Wake Up Live Más with Taco Bell & Bell Design No. 6 Version 2 (Class 43) | 5,068,972 | 10/25/2016 |

| | | |
|---|---|---|
| Taco Bell Explore (Class 35) | 5,073,835 | 11/01/2016 |
| Live Más (with accent over “A”) (Class 25) | 5,146,760 | 02/21/2017 |
| Your Dream On Our Dime (Class 36) | 5,128,967 | 08/11/2017 |
| Taco Bell Cantina (Logo) (Class 43) | 5,365,441 | 12/26/2017 |
| Nachos BellGrande (Class 30) | 5,437,137 | 04/03/2018 |
| TACO BELL & Bell Design No. 8 in color (Class 43) | 5,592,983 | 10/30/2018 |
| Crunchwrap (Class 30) | 5,961,689 | 01/14/2020 |
| Steal A Base, Steal A Taco (Class 41) | 6,029,220 | 04/07/2020 |
| Taco Bell (Class 9) | 6,051,763 | 05/12/2020 |
| Taco Bell (Class14,25) | 6,082,094 | 06/16/2020 |
| Triplelupa (Class 30) | 6,092,678 | 06/30/2020 |
| Whip Freeze stylized (Class 32) | 6,176,985 | 10/13/2020 |
| Cravings Pack (Class 30) | 6,245,606 | 01/12/2021 |
| Bell Stop (Class 43) | 6,328,911 | 04/20/2021 |
| Taco Night (Class 29) | 6,523,161 | 10/19/2021 |
| Taco Bell (Class 21,25, 26, 28) | 6,564,428 | 11/16/2021 |

There are also trademarks that have been applied for by the Company but have not yet been registered. Those marks are as follows:

| **Mark** | **Application No** | **Application Date** |
|---|---|---|
| Fourthmeal | 88493414 | 06/28/2019 |
| Popperpeño (class 29,30) | 88601870 | 09/03/2019 |
| Steak Firecracker Fries (Class 29) | 88656080 | 10/16/2019 |
| Crispy Tortilla Cheese Popper (Class 29) | 88693971 | 11/15/2019 |
| Live Más (Class 30,32) | 88802901 | 02/19/2020 |
| Go Mobile (Class 9, 29, 30 & 43) | 90144967 | 08/28/2020 |
| Cantina & Bell Design logo #8 (Class 29, 30 & 43) | 90222457 | 09/30/2020 |
| Taco Bell (Class 18, 21, 25, 26 & 28) | 90281307 | 10/27/2020 |
| Crispanada (Class 30) | 90562532 | 03/05/2021 |
| Crispy Cheese Poppers (Class 29) | 90578792 | 03/15/2021 |
| Cheese Popper Nacho Fries (Class 29) | 90578794 | 03/15/2021 |
| Taco Moon (Class 43) | 90603856 | 03/25/2021 |
| Crave-A-Bell (Class 29, 30, 43) | 90608969 | 03/29/2021 |
| Enchirito (Class 30) | 90660208 | 04/21/2021 |
| Worth The Wake (Class43) | 90660210 | 04/21/2021 |
| House of Supreme (Class43) | 90660213 | 04/21/2021 |
| Cravetarian (Class 29, 30, 43) | 90664442 | 04/22/2021 |
| Taco Lover’s Pass (Class 9, 35) | 90825313 | 07/13/2021 |
| Mercury Retrogrande Nachos Box (Class 30) | 90845896 | 07/23/2021 |
| Taco Bell Defy (Class43) | 90862520 | 08/03/2021 |
| Go Mobile (Class 29, 30, 43) | 90975931 | 08/28/2020 |
| Ambition Accelerator (Class 35, 36) | 97101966 | 11/01/2021 |
| Taco Bell Design #8 (Class 29, 30) | 97115292 | 11/09/2021 |
| Drive-Thru Dialogues (Class 41) | 97171518 | 12/14/2021 |

**Updated 3/3/2022**

# EXHIBIT B-2

# LICENSE AGREEMENT ASSIGNMENT AND RELEASE, ACCEPTANCE OF ASSIGNMENT, CONSENT TO ASSIGNMENT, PERSONAL GUARANTY AND OWNERS' AGREEMENT

**ASSIGNMENT OF LICENSE AGREEMENT TO [TYPE OF ENTITY]**

THIS ASSIGNMENT OF LICENSE AGREEMENT (the "Assignment") is by and between _____, _____, and ____, [insert names of members/shareholders/partners] as individuals (collectively, "Assignor") and ____, [insert entity name] a _____ [insert state of formation and type of entity] ("Assignee").

RECITALS

WHEREAS, Assignor is entering into a License Agreement (or License Agreements, as applicable) with Taco Bell Franchisor, LLC, a Delaware limited liability company (the "License Agreement"), pertaining to the following Taco Bell restaurant(s):

Unit No. Address

WHEREAS, Assignor desires to sell, assign and transfer, and Assignee is willing to accept Assignor's right, title and interest in and to the License Agreement in accord with the terms of the Assignment and Acceptance of Assignment set forth herein.

ASSIGNMENT AND RELEASE

NOW THEREFORE, FOR VALUE RECEIVED, each of the undersigned sells, assigns and transfers unto Assignee, as of the date upon which Taco Bell Franchisor, LLC executes the Consent to Assignment set forth herein (the "Effective Date"), all right, title and interest in and to the License Agreement.

Each of the undersigned further agrees that this Assignment will not relieve the undersigned from any of the obligations of the License Agreement, or any related agreements, with Taco Bell Franchisor, LLC, its affiliated entities including without limitation Taco Bell Franchise Holder 1, LLC, a Delaware limited liability company, and its manager Taco Bell Corp., a California corporation (collectively, "Franchisor").

Each of the undersigned agrees to indemnify, defend, and hold harmless Franchisor, each of Franchisor's officers, directors, employees, agents, attorneys and representatives, as well as any of its parents, subsidiaries or affiliates, from any and all claims, demands, costs (including attorneys' fees), or any other damages or injuries that Franchisor may sustain in connection with this Assignment. Further, in consideration of Taco Bell Franchisor, LLC's consent to this Assignment, each of the undersigned hereby waives, releases, and forever discharges Franchisor, each of Franchisor's officers, directors, employees, agents, attorneys and representatives, as well as any of its parents, subsidiaries or affiliates (collectively, the "Released Parties") from any and all claims, demands, liabilities or causes of action in law or in equity of whatsoever nature arising prior to and including the Effective Date hereof, known or unknown, suspected or unsuspected, which any or all of the undersigned now has or may hereafter have, by reason of any act, omission, event, deed or course of action having taken place, or having been omitted, or on account of, or arising out of, or relating to, any license agreement or lease agreement or any other agreement between the undersigned and Licensor and any of its parents, subsidiaries or affiliates, except as may be prohibited by law, including claims arising from representations in Taco Bell Franchisor, LLC's Franchise Disclosure Document, and any exhibits or amendments thereto. **It is expressly acknowledged by each of the undersigned that any and all rights granted under Section 1542 of the California Civil Code are hereby expressly waived.** Such statute reads as follows:

**"Section 1542.**
**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."**

[insert following if entity is an LLC] Moreover, each of the undersigned hereby agrees that each of the conditions, obligations and restrictions on or of the Licensee under the License Agreement, concerning or pertinent to the assignment of the License Agreement to a corporation or with respect to the Licensee as a corporation shall apply to Assignee, to each of the undersigned, and to this assignment to Assignee with equivalent effect *mutatis mutandi*.

In addition, each of the undersigned hereby warrants and represents to the Released Parties, and each of them, that the undersigned has never assigned to anyone any claim of the undersigned's against the Released Parties, whether for damages or any other form of relief.

Date: _____ _____
[insert name of member/shareholder/partner]

Date: _____ _____
[insert name of member/shareholder/partner]

ACCEPTANCE OF ASSIGNMENT BY ASSIGNEE

The undersigned hereby accepts the above Assignment and agrees to be bound by all of the terms and conditions of the License Agreement and assumes all of the obligations thereto. The undersigned further agrees to deliver to Taco Bell Franchisor, LLC the personal guaranty of all [insert members/shareholders/partners] of Assignee in the form set forth herein.

Assignee
[insert assignee]

Date: _____ By: _____
Title: _____

CONSENT TO ASSIGNMENT BY TACO BELL FRANCHISOR, LLC

Taco Bell Franchisor, LLC hereby consents to the above Assignment upon the terms and conditions set forth herein.

TACO BELL FRANCHISOR, LLC

Date: _____ By: _____
Title: President and Treasurer

PERSONAL GUARANTY

In consideration of the foregoing Consent to Assignment by Taco Bell Franchisor, LLC, each of the undersigned hereby personally guarantees, jointly and severally, the full payment and performance of the Licensee's obligations to Taco Bell Franchisor, LLC under the License Agreement and individually undertakes to be bound by all the terms of the License Agreement, including, without limitation, the restrictions on sale or assignment of the License Agreement, which provisions are hereby approved. Each of the undersigned further agrees he or she will take such action as is necessary to cause the [insert description of entity documents] (the "Documents") to recite that the issuance or transfer of its capital stock is restricted by the terms of the License Agreement and expressly made subject to the prior approval in writing by Taco Bell Franchisor, LLC, and to require that notice of such restriction be stated prominently on all stock certificates issued by Assignee, including certificates previously issued, if any. A copy of the Documents shall be furnished to Taco Bell Franchisor, LLC upon execution of this Personal Guaranty, together with a list of names, addresses and interests of all legal and beneficial owners of Assignee's stock. This Personal Guaranty is and shall be a continuing guaranty and no amendment of or waiver under the License Agreement, or transfer of any interest in Assignee, or other change in circumstances shall modify, reduce or cancel any of the obligations of any of the undersigned under this Personal Guaranty, except for the express, written cancellation of such obligations by an officer of Taco Bell Franchisor, LLC.

[insert following if entity is an LLC] Moreover, each of the undersigned hereby agrees that each of the conditions, obligations and restrictions on or of the Licensee under the License Agreement, concerning or pertinent to the assignment of the License Agreement to a corporation or with respect to the Licensee as a corporation shall apply to Assignee, to each of the undersigned, and to this assignment to Assignee with equivalent effect *mutatis mutandi*.

Unit No(s).

Date: _____ _____
_____, Individually & as a [insert member/ shareholder/partner]

Date: _____ _____
_____, Individually & as a [insert member/ shareholder/partner]

[If an approved trust is a member/shareholder/partner, use the following for each of the trusts and the trustees and/or beneficiaries signing.]

INSERT NAME OF TRUST

Date: _____ By: _____
[Type name], Individually & as a [Trustee] [&] [Beneficiary]

MEMBER/SHAREHOLDER/PARTNER AGREEMENT

In consideration of the foregoing Consent to Assignment by Taco Bell Franchisor, LLC and its willingness to waive the requirement of Section 13 of the License Agreement that a named, individual licensee shall at all times retain majority interest in any assignee of the License Agreement, the undersigned, being each and all of the [members/shareholders/partners] of Assignee, agree on behalf of themselves individually and as such [members/shareholders/partners] that _____ [insert primary Licensee name] ("Agent of Assignee"), an individual, does and shall have the power and authority to act on behalf of such Assignee in all matters affecting the subject Taco Bell license. The undersigned further so agree that the Agent of Assignee shall not transfer his or her interest in Assignee, nor shall his or her power or authority be curtailed, restricted, or diminished, without Taco Bell Franchisor, LLC's prior written consent, which consent shall not be unreasonably withheld. Furthermore, each of the undersigned agrees that any notice to the Licensee under the License Agreement shall be deemed validly served on each of the undersigned, and on the Licensee under the License Agreement, when such notice is posted, certified mail return receipt requested or by reputable, private courier service, to the address for notice in the License Agreement to the attention of the Agent of Assignee.

Date: _____ _____
_____, [insert member/shareholder/partner]

Date: _____ _____
_____, [insert member/shareholder/partner]

[If an approved trust is a member/shareholder/partner, use the following for each of the trusts and the trustees and/or beneficiaries signing.]

INSERT NAME OF TRUST

Date: _____ By: _____
[Type name], Individually & as a [Trustee] [&] [Beneficiary]

# EXHIBIT B-3

# EXTENSION AMENDMENT TO LICENSE AGREEMENT

Unit No.:

**Amendment to Taco Bell License Agreement**

This Amendment to Taco Bell License Agreement ("the Amendment") is dated as of _____ by and between TACO BELL FRANCHISOR, LLC, a Delaware limited liability company (the "Licensor") and _____ (the "Licensee").

RECITALS

A. WHEREAS, the Licensor and the Licensee entered into a License Agreement dated _____ (the "License Agreement"), pertaining to Taco Bell Unit No. _____ located at _____ (the "Unit"); and

B. WHEREAS, the Licensor and the Licensee desire to amend the License Agreement for the purpose of extending the term of the License Agreement as set forth below.

NOW THEREFORE, in consideration of the terms and conditions set forth herein and in the License Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Licensor and the Licensee hereby amend the License Agreement as follows:

TERMS

1. The Term of the License Agreement, together with all the rights and obligations created thereunder, is hereby extended so that the License Agreement shall now expire on _____.

2. In consideration for the extension of the Term of the License Agreement, Licensee shall, upon execution of this Amendment, pay Licensor a non-refundable extension fee in the amount of _____ Dollars ($_____).

Except as specifically amended hereby, the License Agreement and any amendments or modifications thereof shall remain in full force and effect in accordance with its stated terms. The words used in this Amendment shall have the same meaning as in the License Agreement unless otherwise noted. In the event of a conflict between this Amendment and the License Agreement, this Amendment shall control.

IN WITNESS WHEREOF, the parties have executed this Amendment effective as of the date of the Licensor's execution below.

| **Licensee** | **Licensor** |
|---|---|
| By: _____ | By: _____ |
| Print Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**THIS AMENDMENT SHALL NOT BECOME EFFECTIVE UNLESS AND UNTIL SIGNED BY A CORPORATE OFFICER OF LICENSOR. NO FIELD REPRESENTATIVE IS AUTHORIZED TO EXECUTE THIS AMENDMENT IN THE NAME OR ON BEHALF OF LICENSOR.**

# EXHIBIT C

# RELEASE

Taco Bell Unit No(s).

**RELEASE**

This RELEASE is made on _____ by the undersigned license applicant.

In consideration of the license to be issued to the undersigned license applicant (the "undersigned") for the proposed TACO BELL restaurant(s) listed above, each of the undersigned hereby waives, releases, and forever discharges Taco Bell Franchisor, LLC, a Delaware limited liability company, its affiliated entities, including without limitation Taco Bell Franchise Holder 1, LLC, a Delaware limited liability company and Taco Bell Corp., a California corporation (collectively, the "Releasees"), and all of the Releasees' officers, directors, employees, agents, attorneys and representatives, as well as each of its and their parents, subsidiaries and affiliates from any and all claims, demands, liabilities or causes of action in law or in equity of whatsoever nature arising prior to and including the date hereof, known or unknown, suspected or unsuspected, which the undersigned now has or may hereafter have by reason of any act, omission, event, deed or course of action having taken place, or having been omitted, or on account of or arising out of any license, franchise or lease agreement or any other agreement between the undersigned and any of the Releasees and/or any of its or their parents, subsidiaries or affiliates, occurring prior to the date of this Release, except as may be prohibited by law, including claims arising from representations in the Franchise Disclosure Document of Taco Bell Franchisor, LLC, and any exhibits or amendments thereto. **It is expressly acknowledged by the undersigned that any and all rights granted under Section 1542 of the California Civil Code are hereby expressly waived.** Such statute reads as follows:

> **"Section 1542.**
> **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."**

In addition, the undersigned hereby warrants and represents to the Releasees and Yum! Brands, Inc. ("Yum") that the undersigned has never assigned to anyone any claim of the undersigned's against the Releasees or against any of the Releasees' subsidiaries or against Yum whether for damages or any other form of relief.

Name of [insert entity]

By: _____

Title: _____

_____
Licensee's name

_____
Licensee's name

_____
Licensee's name

**BY SIGNING THIS RELEASE YOU ARE GIVING UP ANY CLAIMS YOU MAY HAVE OR HAD AGAINST THE RELEASEES OR ITS AFFILIATES INCLUDING YUM! BRANDS, INC. OR ANY OF THEM, INCLUDING CLAIMS UNRELATED TO THIS PROPOSED DEVELOPMENT OR MATTER. PLEASE CONSULT YOUR ATTORNEY BEFORE SIGNING THIS DOCUMENT.**

# EXHIBIT D

# TABLE OF CONTENTS
# OF MANUAL

OneSource library folders, by name and estimated number of pages, that comprise the Manual:

| **FOLDER** | **Estimated No. of Pages** |
|---|---|
| Experiences National & Test | 40 |
| Training and Development | 1600 |
| Food Safety and Sanitation | 265 |
| Help | 30 |
| Food | 700 |
| The Customer Experience | 120 |
| People and Culture | 190 |
| Systems and Technology | 200 |
| Safety and Security | 210 |
| Restaurant Equipment | 390 |
| Own It (Routines) | 730 |
| Franchise Policy Standards | 110 |
| Covid-19 | 30 |

# EXHIBIT E

# CONFIDENTIALITY AGREEMENT

# CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement is made and entered into this ___ day of _____by and between Taco Bell Franchisor, LLC, a Delaware limited liability company ("Taco Bell") and _____("Licensee").

WHEREAS, Taco Bell is the originator of a distinctive concept for the marketing, preparation and sale of certain Mexican and other style food products.

WHEREAS, Taco Bell owns or controls various trademarks, service marks, trade names, trade dress, designs (including product package designs), symbols, emblems, logos, insignias, external and internal building designs and architectural features and combinations of the foregoing (collectively, the "Trademarks"), which are used by it, its franchisees and its licensees in offering, selling and distributing its products and services.

WHEREAS, Taco Bell has developed, owns and has adopted for its own use and the use of its franchisees and licensees a unique system of quick service restaurant operation (the "System"), consisting of a variety of distinctive sign and facility designs, equipment specifications and layouts, recipes, methods of food presentation and service, business techniques, copyrighted manuals and other materials, trade secrets, know-how and technology.

WHEREAS, Taco Bell has developed an Operations Manual for both franchise and license units, commonly referred to as the Answer System (the “Manual”), that includes, among other things, instructions, requirements, standards, specifications, systems and procedures dealing with the selection, purchase, storage, preparation, packaging, service and sale (including menu content and presentation) of all food and beverage products, the maintenance and repair of restaurant buildings, grounds, furnishings, fixtures, and equipment, employee uniforms and dress, accounting, bookkeeping, record retention and other business systems, procedures and operations (the Manual, together with the Trademarks, the System, any information or materials which may constitute trade secrets of Taco Bell, and any other information which is proprietary to Taco Bell or the disclosure of which would be detrimental to Taco Bell, shall hereinafter collectively be referred to as the “Confidential Information”).

WHEREAS, in order for Taco Bell and Licensee to carry on business with each other it may be necessary that Taco Bell disclose to Licensee certain of the Confidential Information, briefly described as follows:

WHEREAS, it is the mutual desire of both parties hereto to preserve the secrecy and confidentiality of the Confidential Information.

NOW THEREFORE, in consideration of the promises described below and other good and valuable consideration, receipt of which is hereby acknowledged by each party, it is hereby agreed as follows:

1. Taco Bell will from time to time as it desires deliver Confidential Information to Licensee for the purpose set forth above and for no other purpose.

2. Licensee hereby acknowledges that Taco Bell has made a clear representation that the Confidential Information has been developed by Taco Bell through the expenditure of substantial time, effort and money and is a valuable and necessary asset which Taco Bell desires to retain in confidence and to withhold from publication and from availability to others.

3. Except as specifically authorized in writing by Taco Bell, Licensee agrees that:

    a) Licensee will not disclose any of the Confidential Information to others;

    b) Licensee will not use any of the Confidential Information for his/her own account or purposes, or for the account or purposes of any third party;

    c) Licensee will not make or disclose documents or copies of documents containing any of the Confidential Information;

d) Licensee will treat confidentially all Confidential Information or portions thereof and will mark any documents containing Confidential Information as proprietary, not to be reproduced or used without appropriate written authority from Taco Bell;

e) Licensee will require all persons under his/her control who may come into contact with any of the Confidential Information, including all persons to whom Licensee may deliver documents and materials as a necessary part of achieving the purposes set forth above, to undertake in writing the same obligations of confidence imposed upon Licensee by this Confidentiality Agreement;

f) Licensee will not advise others that any of the Confidential Information is known to or used by Taco Bell or Licensee or others associated with either party; and

g) Licensee will not disclose to any third party any business plan of Taco Bell revealed for the purpose set forth above or the nature or extent of the association between Licensee and Taco Bell.

4. Notwithstanding the provisions of Section 3, Licensee shall not be more burdened against use of information from public sources than he/she would otherwise have been had he/she not received the disclosure of such Confidential Information. Furthermore, Taco Bell agrees that Licensee is as free as any third party to use the publicly available information which a third party would learn of through legal means, appreciate the value of and use without any initiative suggested by the disclosure by Taco Bell hereunder.

5. Licensee agrees that he/she will be completely responsible for maintaining the secrecy and confidentiality of the Confidential Information disclosed to him/her and will be responsible in this regard for the actions and activities of all of Licensee's agents, employees and designees working with any of the Confidential Information, and Licensee agrees to indemnify and hold harmless Taco Bell from all damages and expense (including attorneys' fees) which Taco Bell may sustain as a result of any unauthorized disclosure which can be traced to the disclosure of such Confidential Information to Licensee hereunder.

6. Licensee agrees that all documents and other materials containing Confidential Information delivered to him/her by Taco Bell and all reproductions, translations and presentations thereof shall at all times be and remain the property of Taco Bell and that the same will be delivered immediately to Taco Bell upon demand at any time.

7. Licensee acknowledges and agrees that the unauthorized use or disclosure of any Confidential Information in violation of this Confidentiality Agreement will cause severe and irreparable damage to Taco Bell. In the event of any violation of this Confidentiality Agreement, Licensee agrees that Taco Bell shall be authorized and entitled to obtain from any court of competent jurisdiction preliminary and/or injunctive relief, as well as any other relief permitted by applicable law.

IN WITNESS WHEREOF, the parties hereto through their authorized signatories have executed this Confidentiality Agreement as indicated below.

| Taco Bell Franchisor, LLC | Licensee |
|---|---|
| By: _____ | _____ |
| Title: _____ | Print Name: _____ |
| Date: _____ | Date: _____ |

# EXHIBIT F

# INFORMATION REGARDING
# TACO BELL LICENSEES

| Restaurant Street Address | City | St | Zip | Phone | Legal Entity |
|---|---|---|---|---|---|
| 3501 Buttermilk Road | Cottondale | AL | 35453 | 205/554-0215 | TA Operating LLC |
| 4468-2 West Main Street | Dothan | AL | 36305 | 334/677-9495 | QSR SE LLC |
| 840 Liberty Hill Drive | Evergreen | AL | 36401 | 251/216-0868 | QSR East LLC |
| 355 S Kelly St Bldg 1090 | Maxwell Afb | AL | 36112 | 334/263-6044 | Army & Air Force Exchange Services |
| 408 State Highway 149 North | Earle | AR | 72331 | 870/657-2105 | TA Operating LLC |
| 2291 Highway 62 and 412 West | Hardy | AR | 72542 | 870/856-3222 | Tasty Chick'n Southeast, LLC |
| 2000 John Harden Drive | Jacksonville | AR | 72076 | 501/596-8458 | K-Mac Enterprises, Inc. |
| 139 Southwest Drive | Jonesboro | AR | 72401 | 870/935-1650 | Tasty Chick'n Southeast, LLC |
| 2003 West Parker Road | Jonesboro | AR | 72404 | 870/972-6332 | Tasty Chick'n Southeast, LLC |
| 403 Highway 71 N | Mena | AR | 71953 | 479/394-5482 | Tasty Chick'n Southeast, LLC |
| 1001 W. Keiser | Osceola | AR | 72370 | 870/563-5566 | Tasty Chick'n Southeast, LLC |
| 5501 South Olive Street | Pine Bluff | AR | 71601 | 870/619-1228 | K-Mac Enterprises, Inc. |
| 1806 US Highway 371 W | Prescott | AR | 71857 | 870/887-8900 | TA Operating LLC |
| 9053 Highway 107 | Sherwood | AR | 72120 | 501/392-8465 | K-Mac Enterprises, Inc. |
| 504 Hwy. 63 & Speedway | Trumann | AR | 72472 | 870/483-2212 | Tasty Chick'n Southeast, LLC |
| 900 Martin Luther King Dr. | West Memphis | AR | 72301 | 870/735-8156 | Tasty Chick'n Southeast, LLC |
| 1913 N. Falls | Wynne | AR | 72396 | 870/238-9111 | Tasty Chick'n Southeast, LLC |
| 2949 North Toltec | Eloy | AZ | 85131 | 520/466-7363 | TA Operating LLC |
| Fort Huachuca Bldg 82301 | Fort Huachuca | AZ | 85613 | 520/459-4275 | Army & Air Force Exchange Services |
| 820 West Pima | Gila Bend | AZ | 85337 | 928/683-0314 | Luihn VantEdge Partners, LLC |
| 3300 W Camelback Rd, Bldg 11 | Phoenix | AZ | 85017 | 602/396-9199 | Sodexo America, LLC |
| 1010 N. 339th Avenue | Tonopah | AZ | 85354 | 623/386-6443 | TA Operating LLC |
| 5570 East Travel Plaza Way | Tucson | AZ | 85756 | 520/663-3424 | Pilot Travel Centers LLC |
| State Highway 264 & IR 12 | Window Rock | AZ | 86515 | 928/871-3454 | High Desert QSRs, LLC |
| 5626 E Santa Ana Canyon Rd | Anaheim | CA | 92807 | 714/998-3077 | Cotti Foods Corporation |
| 5552 S. Wheeler Ridge Road | Arvin | CA | 93203 | 661/858-2804 | TA Operating LLC |
| 17047 Zachary Ave | Bakersfield | CA | 93308 | 801/731-2088 | Pilot Travel Centers LLC |
| 27769 Lagoon Drive | Buttonwillow | CA | 93206 | 661/764-5266 | TA Operating LLC |
| 49030 SEMINOLE DR | Cabazon | CA | 92230 | 951/849-1006 | Morongo TB, LLC |
| 2540 Rockwood Avenue | Calexico | CA | 92231 | 760/357-8321 | DDO-CAL, Inc. |
| 6158 Sunrise Mall | Citrus Heights | CA | 95610 | 916/721-3406 | D. G. Smith Enterprises, Inc. |
| 46155 Dillion Road | Coachella | CA | 92236 | 760/342-6200 | TA Operating LLC |
| 792 West Valley Blvd. | Colton | CA | 92324 | 909/370-1333 | RBD California Restaurants Limited |
| 1300 E. Ontario Avenue | Corona | CA | 92881 | 951/279-5321 | RBD California Restaurants Limited |
| 100 B Ave | Coronado | CA | 92118 | 619/435-2055 | Marble USA Inc. |
| 240 W Fitgerald Ave Bldg. 6001 | Edwards | CA | 93524 | 661/258-1078 | Army & Air Force Exchange Services |
| Bldg 918 | Fort Irwin | CA | 92310 | 760/386-2002 | Army & Air Force Exchange Services |
| 5200 N Campus Drive M/S RD38 | Fresno | CA | 93740 | 559/278-4350 | California State University - Fresno Assoc. Inc. |
| 11523 Hawthorne Blvd. | Hawthorne | CA | 90250 | 310/676-5085 | RBD California Restaurants Limited |
| 25800 Carols Bee Blvd. | Hayward | CA | 94542 | 510/885-7000 | Kumar Management, Corporation |
| 7347 Boulder Avenue | Highland | CA | 92346 | 909/862-1372 | RBD California Restaurants Limited |
| 2941 West Imperial Hwy. | Inglewood | CA | 90303 | 323/779-2712 | RBD California Restaurants Limited |
| 1 Glen Bell Way | Irvine | CA | 92618 | 949/863-3848 | ARAMARK Corporation |
| 5941 Dennis McCarthy Drive | Lebec | CA | 93243 | 661/885-3404 | TA Operating LLC |
| 26715 Western Ave. | Lomita | CA | 90717 | 310/547-3383 | RBD California Restaurants Limited |
| 308 Westwood Plaza | Los Angeles | CA | 90024 | 310/206-0740 | Associated Students UCLA |
| 10937 Weyburn Ave. | Los Angeles | CA | 90024 | 424/407-0200 | Pacific Coast Taco, Inc. |
| 320 North Soto | Los Angeles | CA | 90033 | 323/268-1133 | Imran Ahmed and Shabana Ahmed |
| 5220 W Centinela Ave | Los Angeles | CA | 90045 | 310/670-7947 | RBD California Restaurants Limited |
| 8500 Lincoln Blvd | Los Angeles | CA | 90045 | 424/261-1568 | RBD California Restaurants Limited |
| 8515 S. Central Ave. | Los Angeles | CA | 90001 | 323/585-1284 | RBD California Restaurants Limited |
| 28577 Avenue 12 | Madera | CA | 93637 | 559/661-9046 | Pacific Bells, LLC |
| 4265 East Guasti Road | Ontario | CA | 91761 | 909/390-2525 | TA Operating LLC |
| 4371 Ontario Mills Parkway | Ontario | CA | 91764 | 909/987-7569 | RBD California Restaurants Limited |
| 17299 Pacific Coast Hwy | Pacific Palisades | CA | 90272 | 310/459-7645 | Pacific West General Store, Inc. |
| 16978 Penn Valley Dr | Penn Valley | CA | 95946 | 530/432-9090 | Big G Foods, Inc. |
| 1689 Arden Way | Sacramento | CA | 95815 | 916/751-5456 | D. G. Smith Enterprises, Inc. |
| Pless Rd, Bldg 8 | San Diego | CA | 92145 | 858/695-1001 | Burton Enterprises LLC |
| 1 Washington Square | San Jose | CA | 95192 | 650/312-9934 | Kumar Management, Corporation |
| 100 Universal City Plaza | Universal City | CA | 91608 | 818/985-8226 | Crave Concepts, Inc. |
| 7880 Telegraph Road, Suite F | Ventura | CA | 93004 | 805/659-5192 | Cotti Foods Corporation |
| 1030 E. Stewart Avenue | Colorado Springs | CO | 80914 | 719/325-5151 | Army & Air Force Exchange Services |
| 1101 Central Avenue Mall | Fort Collins | CO | 80521 | 970/482-5331 | Alvarado Concepts, LLC |
| 5 Westfarms Mall | Farmington | CT | 06032 | 860/561-1092 | URAK, Inc. |
| 194 Buckland Hills Drive | Manchester | CT | 06042 | 860/648-2126 | Rohan, Inc. |
| 1201 Boston Post Rd | Milford | CT | 06460 | 203/878-4019 | Suraj, Inc. |

| | | | | | |
|---|---|---|---|---|---|
| 1875 Meriden Waterbury Turnpike | Milldale | CT | 06467 | 860/621-0106 | TA Operating LLC |
| 315 Westport Ave | Norwalk | CT | 06851 | 203/845-9057 | SRC NORWALK ENTERPRISES LLC |
| 5065 Main Street | Trumbull | CT | 06611 | 203/373-0750 | Suraj, Inc. |
| 850 Hartford Turnpike | Waterford | CT | 06385 | 860/924-6958 | Taco Crystal Mall Inc. |
| 50 Massachusetts Ave NE | Washington | DC | 20002 | 202/289-7002 | S&K, Inc. |
| 451 Altamonte Avenue | Altamonte Springs | FL | 32701 | 407/831-5772 | Proeats LLC |
| 801 North Congress Avenue | Boynton Beach | FL | 33426 | 561/734-3474 | Mexicana, Inc. |
| 4495 Roosevelt Blvd. | Jacksonville | FL | 32210 | 904/388-9341 | Tasty Chick'n Southeast, LLC |
| Building 926 Food Court B | Macdill AFB | FL | 33608 | 813/840-2200 | Army & Air Force Exchange Services |
| 2112 Highway 71 South | Marianna | FL | 32448 | 850/526-3303 | TA Operating LLC |
| 20505 S. Dixie Highway | Miami | FL | 33189 | 305/252-0230 | MRK Enterprise Inc |
| 8242 Little Road | New Port Richey | FL | 34654 | 727/815-3815 | QSR SE LLC |
| 1910 Wells Road | Orange Park | FL | 32073 | 904/215-0610 | Proeats LLC |
| 8001 S Orange Blossom Trl #952 | Orlando | FL | 32809 | 407/487-8422 | Proeats LLC |
| 254 Town Center Circle | Sanford | FL | 32771 | 407/328-4757 | Proeats LLC |
| 3333 Buford Drive | Buford | GA | 30519 | 770/614-9408 | Buford Taco, LLC |
| 981 Cassville White Road | Cartersville | GA | 30121 | 770/607-8885 | TA Operating LLC |
| 6700 Douglas Blvd | Douglasville | GA | 30135 | 770/949-9491 | Arbor Taco, LLC |
| 3rd Ave & 10th St. | Fort Gordon | GA | 30905 | 706/772-9742 | Army & Air Force Exchange Services |
| 400 Ernest W Barrett Pkwy - Kennesaw Mall | Kennesaw | GA | 30144 | 470/524-2520 | Town Taco, LLC |
| 5900 Sugarloaf Pkwy | Lawrenceville | GA | 30043 | 678/847-0115 | Discover Taco, Inc. |
| 882 Georgia Highway 100 S | Tallapoosa | GA | 30176 | 770/574-2005 | Pilot Travel Centers LLC |
| 755 W. Iowa 80 Road | Walcott | IA | 52773 | 563/468-5460 | Iowa 80 Truckstop, Inc. |
| 4115 Broadway Ave | Boise | ID | 83705 | 208/344-1091 | TA Operating LLC |
| 1340 S. Washington Avenue | Emmett | ID | 83617 | 208/365-5933 | Intermountain Food Stores, Inc. |
| 625 Gunfighter Avenue | Mountain Home A F B | ID | 83648 | 208/832-4813 | Army & Air Force Exchange Services |
| 1195 E. Vienna Street | Anna | IL | 62906 | 618/833-7921 | Tasty Chick'n Midwest, LLC |
| 500 W. Madison Ave | Chicago | IL | 60661 | 312/454-1672 | Sundance, Inc. |
| 444 Chicago Ridge Mall | Chicago Ridge | IL | 60415 | 708/423-5510 | Al-Farah Restaurant Group of IL, Inc. |
| 699 State Route 203 | East Saint Louis | IL | 62201 | 618/875-1507 | Pilot Travel Centers LLC |
| 540 Cluverius Avenue - Bldg 400 | Great Lakes | IL | 60088 | 847/689-9950 | AG Bells II LLC |
| 3340 Mall Loop Dr | Joliet | IL | 60431 | 815/577-0362 | Al-Farah Restaurant Group of IL, Inc. |
| 13783 West Oasis Service Road | Lake Forest | IL | 60045 | 847/482-0817 | Bell Great Lakes LLC |
| 107 W Trefz | Marshall | IL | 62441 | 217/826-1065 | Pilot Travel Centers LLC |
| 515 Walnut | Murphysboro | IL | 62966 | 618/684-3303 | Tasty Chick'n Midwest, LLC |
| 7501 W Cermak Road | North Riverside | IL | 60546 | 708/442-8653 | Al-Farah Restaurant Group of IL, Inc. |
| 364 Orland Square Drive | Orland Park | IL | 60462 | 708/403-2355 | Angeline Restaurant, Inc. |
| 7200 Harrison Ave | Rockford | IL | 61112 | 815/332-1557 | Sue Restaurant, Inc. |
| 1600 W US Hwy 20 | Chesterton | IN | 46304 | 219/926-8566 | TA Operating LLC |
| 2510 Burr Street | Gary | IN | 46406 | 219/845-3721 | TA Operating LLC |
| 3001 Grant Street | Gary | IN | 46408 | 219/884-1133 | TA Operating LLC |
| 1042 E Warrenton Road | Haubstadt | IN | 47639 | 812/868-1064 | Pilot Travel Centers LLC |
| 49 W. Maryland Street | Indianapolis | IN | 46225 | 317/687-0327 | Al-Farah Restaurant Group of IN, Inc. |
| 2109 Southlake Mall #FC9 | Merrillville | IN | 46410 | 219/769-0811 | Al-Farah Restaurant Group of IN, Inc. |
| 2000 W. University Avenue | Muncie | IN | 47303 | 765/285-2331 | Ball State University |
| 315 LaFortune Student Center | Notre Dame | IN | 46556 | 574/631-0100 | University of Notre Dame du Lac |
| 4154 West US Highway 24 | Remington | IN | 47977 | 219/261-3786 | Pilot Travel Centers LLC |
| 401 Chestnut Street | Terre Haute | IN | 47808 | 812/237-2115 | Sodexo Services of Indiana LP |
| 5829 State Road 43 N | West Lafayette | IN | 47906 | 765/567-4900 | K-Mac Enterprises, Inc. |
| 6914 Warren Road, Building 6914 | Riley | KS | 66531 | 785/784-3712 | Army & Air Force Exchange Services |
| E Topeka Service Area 2-8000, SE I-70 | Tecumseh | KS | 66542 | 785/379-9930 | Heartland Restaurants, LLC |
| Bldg 127 Gold Vault Ave | Fort Knox | KY | 40121 | 502/942-7484 | Army & Air Force Exchange Services |
| 1441 Gardiner Lane | Louisville | KY | 40213 | 502/874-2725 | ARAMARK Corporation |
| One Arena Plaza | Louisville | KY | 40202 | 502/690-9072 | Service America Corporation |
| One Arena Plaza | Louisville | KY | 40203 | 502/690-9072 | Service America Corporation |
| 2921 Irvin Cobb Drive | Paducah | KY | 42003 | 270/444-7910 | Tasty Chick'n Midwest, LLC |
| 100 Founder Street | Grambling | LA | 71245 | 318/274-3251 | Sodexo Operations, LLC |
| 303 W. Texas Avenue | Hammond | LA | 70402 | 985/549-2075 | ARAMARK Educational Services, LLC |
| 100 Cambridgeside Place | Cambridge | MA | 02141 | 617/621-0609 | G.F. Enterprise LLC |
| 1245 Worchester Street | Natick | MA | 01760 | 508/720-0304 | SAR Taco Inc. |
| 1201 Broadway | Saugus | MA | 01906 | 781/231-9866 | Shailin Corporation |
| Building 1811 | Andrews AFB | MD | 20762 | 310/568-0180 | Army & Air Force Exchange Services |
| 1150 South Campus Dining Hall | College Park | MD | 20742 | 301/314-8037 | University of Maryland |
| 11160 Veirs Mill Road | Wheaton | MD | 20902 | 301/933-6370 | Soma Enterprises 1, LLC |
| Great Lakes Crossing Mall, Space #10 | Auburn Hills | MI | 48326 | 248/253-9148 | Grand River A&W, Inc. |
| 18900 Michigan Ave | Dearborn | MI | 48126 | 313/271-1922 | Al-Farah Restaurant Group of MI, Inc. |
| 5221 Gullen Mall | Detroit | MI | 48202 | 313/577-2030 | ARAMARK Educational Services, LLC |

| | | | | | |
|---|---|---|---|---|---|
| 4350 24th Ave Ste 716 | Fort Gratiot | MI | 48059 | 810/385-4439 | SOMA Enterprises LLC |
| 1200 Nadeau Road | Monroe | MI | 48162 | 734/457-3500 | Pilot Travel Centers LLC |
| 27288 Novi Rd Ste A | Novi | MI | 48377 | 248/305-3066 | Al-Farah Restaurant Group of MI, Inc. |
| 6100 Sawyer Road | Sawyer | MI | 49125 | 269/426-7704 | TA Operating LLC |
| 3200 S. Airport Road, W., Suite 608 | Traverse City | MI | 49684 | 231/946-9959 | Mariane, Inc. |
| 820 Happy Trails Lane | Albert Lea | MN | 56007 | 507/379-2672 | Trails QSR Group, Inc |
| 7 Centennial Student Union | Mankato | MN | 56001 | 507/389-2812 | Sodexo America, LLC |
| 1303 SE Grand Hwy | Faucett | MO | 64448 | | Pilot Travel Centers LLC |
| 3265 N Service Rd E | Foristell | MO | 63348 | 636/673-2295 | TA Operating LLC |
| 4240 Highway 43 | Joplin | MO | 64804 | 417/621-6153 | Truckstop Distributors, Inc. |
| 600 West SR 92 | Kearney | MO | 64060 | 816/635-4115 | Pilot Travel Centers LLC |
| 854 State Highway 80 | Matthews | MO | 63867 | 573/471-8644 | TA Operating LLC |
| 225 East Evergreen | Strafford | MO | 65757 | 417/736-2161 | Travel Centers Of The Ozarks |
| 517 S. Holden Street, Ellis Complex, L23 | Warrensburg | MO | 64093 | 660/543-8375 | Sodexo Operations, LLC |
| 711 Vandenberg Avenue, Bldg. 529 | Whiteman Afb | MO | 65305 | 660/563-3167 | Army & Air Force Exchange Services |
| 900 S. Court Street | Ellisville | MS | 39437 | 601/447-3396 | Sodexo Operations, LLC |
| 403 S.W. Frontage Road | Winona | MS | 38967 | 662/283-5765 | Pilot Travel Centers LLC |
| 1231 Holcomb Blvd | Camp Lejeune | NC | 28547 | 910/450-9459 | Bell Carolina LLC |
| 6910 Fayetteville Rd | Durham | NC | 27713 | 919/237-3298 | Mall Treats, LLC |
| Ardennes Street, Bldg C 5934 | Fort Bragg | NC | 28310 | 910/960-9504 | Army & Air Force Exchange Services |
| Bldg 42171 Reilly Road | Fort Bragg | NC | 28307 | 910/960-9504 | Army & Air Force Exchange Services |
| 923 Johnston Pkwy | Kenly | NC | 27542 | 919/502-7055 | Corbitt Partners, LLC |
| 362 Missile Ave Bldg. 248 | Minot Afb | ND | 58705 | 701/727-4706 | Army & Air Force Exchange Services |
| 2 Simpson Road | Columbia | NJ | 07832 | 908/496-4124 | TA Operating LLC |
| 1 American Dream Way | East Rutherford | NJ | 07073 | 201/691-7909 | Meadowlands Taco LLC |
| 3710 Route 9, Suite 2221 | Freehold | NJ | 07728 | 732/702-2580 | FreeHold Food Corp. |
| 150 Bleeker Street | Newark | NJ | 07103 | 973/596-2468 | Gourmet Dining, LLC |
| One Garden State Plaza | Paramus | NJ | 07652 | 551/276-2704 | Garden State Fast Food Corp. |
| 3109 Willowbrook Mall | Wayne | NJ | 07470 | 973/890-2389 | WillowBrook Fast Food Corp. |
| New Mexico & 4th Street | Holloman AFB | NM | 88330 | 575/479-1657 | Army & Air Force Exchange Services |
| 202 N. Motel Blvd | Las Cruces | NM | 88005 | 575/527-7400 | TA Operating LLC |
| 6000 East Frontage Road | Imlay | NV | 89418 | 775/538-7311 | TA Operating LLC |
| 4505 S Maryland Pkwy., Bldg. #115 | Las Vegas | NV | 89154 | 702/895-0824 | ARAMARK Educational Services, LLC |
| 1 Crossgates Mall Rd | Albany | NY | 12260 | 518/713-4142 | Hospitality Syracuse, Inc. |
| 1701 Sunrise Highway FC-6 | Bay Shore | NY | 11706 | 631/969-8889 | Taco and Pizza at Green Acres Inc. |
| 785 Flushing Avenue | Brooklyn | NY | 11206 | 718/255-7339 | Taco and Pizza Inc. |
| 108-30 Flatlands Ave | Brooklyn | NY | 11236 | 718/272-1809 | QSR NY LLC |
| 2026 Coney Island Ave | Brooklyn | NY | 11223 | 718/375-0234 | QSR NY LLC |
| 350 Saw Mill River Road | Elmsford | NY | 10523 | 914/347-7586 | PAK Elmsford Management Inc. |
| 630 Old Country Road | Garden City | NY | 11530 | 516/746-0962 | DVC Food Inc. |
| 8301 37th Ave | Jackson Heights | NY | 11372 | 718/478-9530 | Exxis Corp./Xs Corp. |
| 173 E. 116th Street | New York | NY | 10029 | 212/289-7297 | SBT Food Services Inc. |
| 18 E. 14th Street | New York | NY | 10003 | 212/645-8645 | JMS An's LLC |
| 2001 South Road, F103 | Poughkeepsie | NY | 12601 | 845/297-5318 | Nandini Food Corp. |
| 2655 Richmond Ave | Staten Island | NY | 10314 | 718/761-7100 | Staten Island Food Corp. |
| 9090 Carousel Center Drive, #231 | Syracuse | NY | 13290 | 315/476-0007 | Hospitality Syracuse, Inc. |
| 1000 Palisades Center Drive | West Nyack | NY | 10994 | 845/353-3600 | Srijaay, Inc. |
| 100 Main Street | White Plains | NY | 10601 | 914/422-1565 | Galleria Mall Food Corp. |
| 359 Downing Drive | Yorktown Heights | NY | 10598 | 914/245-9796 | Leela, Inc. |
| 715 U.S. Highway 250 East | Ashland | OH | 44805 | 567/215-9000 | TA Operating LLC |
| 11471 State Route 613 | Findlay | OH | 45840 | 419/299-3577 | Pilot Travel Centers LLC |
| 22251 State Route 51 W. | Genoa | OH | 43430 | 419/855-9916 | Sundance, Inc. |
| 12906 Deschler Road | North Baltimore | OH | 45872 | 419/257-3744 | TA Operating LLC |
| 3483 Libbey Rd | Perrysburg | OH | 43551 | 419/837-5017 | TA Operating LLC |
| Macomb Road & Craig Road | Fort Sill | OK | 73503 | 580/250-1759 | Army & Air Force Exchange Services |
| 501 SW 19th Street | Moore | OK | 73160 | 405/977-0655 | K-Mac Enterprises, Inc. |
| 1000 West Shawnee Street | Muskogee | OK | 74401 | 918/608-8842 | K-Mac Enterprises, Inc. |
| 11603 N 1900 Rd | Sayre | OK | 73662 | 580/928-5571 | TA Operating LLC |
| 3360 N Avenue | Tinker AFB | OK | 73145 | 405/610-1001 | Army & Air Force Exchange Services |
| 16600 W South Ave | Tonkawa | OK | 74653 | 580/628-2937 | Pilot Travel Centers LLC |
| 1600 E Pine St | Central Point | OR | 97502 | 541/664-1035 | Pilot Travel Centers LLC |
| 4550 W 11th | Eugene | OR | 97402 | 541/632-5160 | Weber Coastal Bells Limited Partnership |
| 4220 Brooklake Rd NE | Salem | OR | 97303 | 503/393-2625 | Pilot Travel Centers LLC |
| 245 Allegheny Blvd | Brookville | PA | 15825 | 814/849-7700 | TA Operating LLC |
| 6172 Paradise Valley Road | Cresco | PA | 18326 | 570/839-1825 | Bertanzetti, Inc. |
| 11 N. 3rd Street | Harrisburg | PA | 17101 | 717/238-4342 | SHRI York, LLC |
| 3501 Paxton Street FC #2 | Harrisburg | PA | 17111 | 717/641-8600 | SHRI York, LLC |

| | | | | | |
|---|---|---|---|---|---|
| 177 W Allegheny Ave | Philadelphia | PA | 19133 | 215/739-1717 | MITRA QSR KNE, LLC |
| 2899 Whiteford Road | York | PA | 17402 | 717/718-5572 | Lily Business Group LLC |
| 7400 Wilson Blvd | Columbia | SC | 29203 | 803/786-7680 | TA Operating LLC |
| 2015 W Lucas St | Florence | SC | 29501 | 843/662-2673 | Pilot Travel Centers LLC |
| 3014 Paxville Highway | Manning | SC | 29102 | 803/473-2568 | TA Operating LLC |
| 370 Rhodes Ave | Shaw Afb | SC | 29152 | 803/666-3240 | Army & Air Force Exchange Services |
| 138 Highway 641 N | Camden | TN | 38320 | 731/584-2646 | Hospitality Tennessee, Inc. |
| 421 N. Cedar Bluff Road | Knoxville | TN | 37923 | 865/693-2094 | Pilot Travel Centers LLC |
| 7600 Kingston Pike | Knoxville | TN | 37919 | 865/694-3107 | Charter Foods, Inc. |
| 2785 Lamar Ave. | Memphis | TN | 38114 | 901/743-4827 | Tasty Chick'n Midwest, LLC |
| 3995 S. 3rd St. | Memphis | TN | 38109 | 901/789-6247 | Tasty Chick'n Midwest, LLC |
| 3745 E. Shelby Drive | Memphis | TN | 38118 | 901/369-1110 | Tasty Chick'n Midwest, LLC |
| 2200 Children's Way | Nashville | TN | 37232 | 615/361-0751 | Future Restaurants, LLC |
| NWQ US 67 & Hwy 137 | Big Lake | TX | 76932 | 325/884-2609 | Pilot Travel Centers LLC |
| 2605 West Commerce | Buffalo | TX | 75831 | 903/322-9045 | Pilot Travel Centers LLC |
| 7751 Bonnie View Road | Dallas | TX | 75241 | 469/941-3150 | TA Operating LLC |
| 1611 Marshall Road | El Paso | TX | 79906 | 915/562-3005 | Army & Air Force Exchange Services |
| 8401 Gateway W. Blvd., Suite L05C | El Paso | TX | 79925 | 915/881-8448 | Global Pacific Enterprise, Inc. |
| 20752 Gulf Victory Way | Fort Bliss | TX | 79916 | 915/581-3248 | Army & Air Force Exchange Services |
| 3000 Grapevine Mills Pkwy (Suite FC 4) | Grapevine | TX | 76051 | 972/539-8475 | N R S Business Inc. |
| 32150 Hempstead Highway | Hockley | TX | 77447 | 281/304-7032 | Amin Enterprises, Inc. |
| 303 Memorial City Way, 760 Memorial City Mall | Houston | TX | 77024 | 713/461-9102 | R & N, Inc. |
| 1178 Willowbrook Mall | Houston | TX | 77070 | 281/894-1231 | Food Chain Nation, LLC |
| 1010 Beltway Pkwy | Laredo | TX | 78045 | 956/724-2016 | TA Operating LLC |
| 7100 Corporate Drive | Plano | TX | 75024 | 806/239-7009 | Compass Group USA, Inc. |
| 2828 Rutford Ave, Ste 4 | Richardson | TX | 75080 | 972/883-7471 | North Texas Bells, LLC |
| 3390 William Hardee Rd. | San Antonio | TX | 78234 | 210/221-3615 | Army & Air Force Exchange Services |
| 2310 SW Military Parkway | San Antonio | TX | 78224 | 210/932-9922 | DDO-New Mexico, LLC |
| 849 E. Commerce Street | San Antonio | TX | 78205 | 210/223-8000 | DDO-New Mexico, LLC |
| 22 N. Kessler Ave. | Schulenburg | TX | 78956 | 979/743-4288 | Pilot Travel Centers LLC |
| Building 740 Ave. H | Sheppard Afb | TX | 76351 | 940/855-5451 | Army & Air Force Exchange Services |
| 1330 S. Providence Center Drive-Walmart | Cedar City | UT | 84720 | 435/708-1806 | DDO-Utah, LLC |
| 5845 E Ave. | Hill Afb | UT | 84056 | 801/825-8584 | Army & Air Force Exchange Services |
| 1670 W 12th St | Ogden | UT | 84404 | 801/731-2088 | Pilot Travel Centers LLC |
| 800 West University Parkway | Orem | UT | 84058 | 801/863-6489 | Utah Valley University |
| 1130 North 100 | Parowan | UT | 84761 | 435/477-3311 | TA Operating LLC |
| 255 WSC South Campus Drive | Provo | UT | 84602 | 801/422-9101 | Brigham Young University |
| 8836 Highway 40 | Tooele | UT | 84074 | 801/250-8585 | TA Operating LLC |
| 1100 S Hayes Street | Arlington | VA | 22202 | 703/412-9388 | B & L International, Inc. |
| 21100 Dulles Town Circle | Dulles | VA | 20166 | 703/969-3980 | Grace United, Inc. |
| 11750 Lee Jackson Memorial Highway | Fairfax | VA | 22033 | 703/691-3220 | BSKS, Inc. |
| 1101 W. Pembroke Ave. | Hampton | VA | 23661 | 757/722-0182 | FQSR, LLC (dba KBP Foods) |
| 3121 Cedar Valley Dr | Richlands | VA | 24641 | 276/963-0654 | GPM Investments, LLC |
| 1014 Mt. Olive Road | Toms Brook | VA | 22660 | 801/731-2088 | Pilot Travel Centers LLC |
| 1025 Peppers Ferry Rd | Wytheville | VA | 24382 | 276/228-8676 | TA Operating LLC |
| 2725 93rd Ave. SW | Olympia | WA | 98512 | 801/731-2088 | Pilot Travel Centers LLC |
| 3001 Milwaukee Road | Beloit | WI | 53511 | 608/364-3648 | Pilot Travel Centers LLC |
| 2200 E. Kenwood Blvd. | Milwaukee | WI | 53211 | 414/229-4146 | University of Wisconsin - Milwaukee |
| 717 S. Sylvania Ave | Sturtevant | WI | 53177 | 262/977-6190 | Albor Restaurant Group, LLC |
| 4000 I-80 Service Rd, Exit 377 | Burns | WY | 82053 | 307/547-3557 | TA Operating LLC |
| I-80 At Bigelow Rd | Fort Bridger | WY | 82933 | 307/782-3846 | TA Operating LLC |

## CLOSED OR TRANSFERRED LICENSE RESTAURANTS

| Legal Entity | City | State | Business Phone | Reason | Unit State |
|---|---|---|---|---|---|
| K-Mac Enterprises, Inc. | Fort Smith | AR | 870/423-5638 | Flipped 1 | OK |
| K-Mac Enterprises, Inc. | Fort Smith | AR | 870/423-5638 | Closed 1 | AR |
| D. G. Smith Enterprises, Inc. | Sacramento | CA | 916/338-7770 | Closed 1 | CA |
| Jay Petroleum, Inc. | Portland | IN | 260/726-9374 | Closed 1 | IN |
| TA Operating LLC | Westlake | OH | 440/617-8931 | Closed 1 | KY |
| Compass Group USA, Inc. | Charlotte | NC | 303/929-2313 | Closed 1 | NC |
| Rigel Corp. d/b/a Rigel Airport Service | Omaha | NE | 402/422-6376 | Closed 1 | NE |
| Auxiliary Campus Enterprises & Services,State U* | Alfred | NY | 607/968-1442 | Closed 1 | NY |
| Taco Pros, Inc. | Oklahoma City | OK | 405/818-8154 | Closed 1 | OK |
| Compass Group USA, Inc. | Charlotte | NC | 303/929-2313 | Closed 1 | NC |
| BurgerBusters XI, LLC | Virginia Beach | VA | 757/412-0112 | Closed 1 | VA |
| Seven Hills, Inc. | Mechanicsburg | PA | 717/909-0580 | Closed 1 | PA |
| Master Concessionair, LLC | Miami | FL | 305/218-1910 | Closed 1 | FL |
| RBD California Restaurants Limited | Los Angeles | CA | +64 09 525 8708 | Closed 1 | CA |
| Manasrah Group, Inc. | Corona | CA | 951/547-3650 | Closed 1 | CA |
| Nicholas Restaurant Corp. | Burbank | IL | 708/204-3266 | Closed 1 | IL |
| Army & Air Force Exchange Services | Dallas | TX | 214/312-2584 | Closed 1 | IL |
| Sue Restaurant, Inc. | Burbank | IL | 708/204-3266 | Closed 1 | IL |
| Minit Mart LLC | Westborough | MA | 513/792-1215 | Closed 1 | IN |
| H & S Restaurants, Inc. | Stony Point | NY | 845/429-7504 | Flipped 1 | NJ |
| Army & Air Force Exchange Services | Dallas | TX | 214/312-2584 | Closed 1 | KS |
| Army & Air Force Exchange Services | Dallas | TX | 214/312-2584 | Closed 1 | LA |
| MITRA QSR KNE, LLC | Plano | TX | 214/440-4144 | Closed 1 | MD |
| MITRA QSR KNE, LLC | Plano | TX | 214/440-4144 | Flipped 5 | MD |
| MITRA QSR KNE, LLC | Plano | TX | 214/440-4144 | Flipped 2 | DE |
| MITRA QSR KNE, LLC | Plano | TX | 214/440-4144 | Flipped 3 | PA |
| Army & Air Force Exchange Services | Dallas | TX | 214/312-2584 | Closed 1 | NE |
| Pyramid Service Management, LLC | Freehold | NJ | 908/907-2910 | Closed 1 | NJ |
| Army & Air Force Exchange Services | Dallas | TX | 214/312-2584 | Closed 1 | NM |
| Warwick Taco, LLC | Mansfield | MA | 508/339-2075 | Closed 1 | RI |

# EXHIBIT G

# FINANCIAL STATEMENTS

# TACO BELL FRANCHISOR, LLC

Financial Statements

December 28, 2021 and December 29, 2020

(With Independent Auditors' Report Thereon)

**TACO BELL FRANCHISOR, LLC**

## Table of Contents

KPMG LLP
Suite 2600
400 West Market Street
Louisville, KY 40202

# Independent Auditors' Report

Taco Bell Franchisor, LLC:

We have audited the accompanying financial statements of Taco Bell Franchisor, LLC, which comprise the balance sheets as of December 28, 2021 and December 29, 2020, and the related statements of income, member's equity, and cash flows for each of the years in the three-year period ended December 28, 2021, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taco Bell Franchisor, LLC as of December 28, 2021 and December 29, 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 28, 2021 in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Louisville, Kentucky
March 25, 2022

**TACO BELL FRANCHISOR, LLC**
Balance Sheets
As of December 28, 2021 and December 29, 2020
(In thousands)

| Assets | 2021 | 2020 |
|---|---|---|
| Current assets: | | |
| Restricted cash and cash equivalents | $ 34,123 | $ 34,166 |
| Accounts receivable, net of allowance for doubtful accounts of $0 and $7 | 30,737 | 23,125 |
| Franchise incentives | 3,317 | 2,764 |
| Due from affiliates | 3,875 | 3,605 |
| Total current assets | 72,052 | 63,660 |
| Long-term franchise incentives | 29,303 | 24,864 |
| Total assets | $ 101,355 | $ 88,524 |
| **Liabilities and Member's Deficit** | | |
| Current liabilities: | | |
| Due to affiliates | $ 1,272 | $ 442 |
| Accrued franchise incentives | 4,100 | 100 |
| Deferred franchise fees | 4,710 | 3,916 |
| Total current liabilities | 10,082 | 4,458 |
| Long-term deferred franchise fees | 63,450 | 52,306 |
| Total liabilities | 73,532 | 56,764 |
| Member's equity: | | |
| Member's equity | 27,823 | 31,760 |
| Total member's equity | 27,823 | 31,760 |
| Total liabilities and member's equity | $ 101,355 | $ 88,524 |

**TACO BELL FRANCHISOR, LLC**

Statements of Income

Fiscal years ended December 28, 2021, December 29, 2020 and December 31, 2019

(In thousands)

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Revenues: | | | |
| Franchise and license fees | $ 415,233 | 322,647 | 269,871 |
| Royalties from affiliates | 51,794 | 48,385 | 50,390 |
| Total revenues | 467,027 | 371,032 | 320,261 |
| Costs and expenses: | | | |
| Bad debt (recoveries) expense | (24) | (79) | 23 |
| Total costs and expenses | (24) | (79) | 23 |
| Operating profit | 467,051 | 371,111 | 320,238 |
| Interest income | 3 | 119 | 634 |
| Net income | $ 467,054 | 371,230 | 320,872 |

See accompanying notes to the financial statements.

**TACO BELL FRANCHISOR, LLC**

Statements of Member's Equity

Fiscal years ended December 28, 2021, December 29, 2020 and December 31, 2019

(In thousands)

| | | |
|---|---|---|
| Balance at December 25, 2018 | $ | 19,260 |
| Net income | | 320,872 |
| Distributions to member | | (305,429) |
| Balance at December 31, 2019 | | 34,703 |
| Net income | | 371,230 |
| Distributions to member | | (374,173) |
| Balance at December 29, 2020 | | 31,760 |
| Net income | | 467,054 |
| Distributions to member | | (470,991) |
| Balance at December 28, 2021 | $ | 27,823 |

See accompanying notes to the financial statements.

**TACO BELL FRANCHISOR, LLC**

Statements of Cash Flows

Fiscal years ended December 28, 2021, December 29, 2020 and December 31, 2019

(In thousands)

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ 467,054 | $ 371,230 | $ 320,872 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Non-cash distributions | (470,991) | (374,173) | (305,429) |
| Provision/(recovery) for doubtful accounts | (24) | (79) | 23 |
| Net change in operating assets and liabilities: | | | |
| Changes in Accounts receivables, net | (7,588) | (1,327) | (6,273) |
| Changes in Franchise incentives | (4,992) | (1,313) | (18,920) |
| Changes in Due from affiliates | (270) | 964 | (876) |
| Changes in Due to affiliates | 830 | (1,344) | 1,322 |
| Changes in Accrued franchise incentives | 4,000 | (300) | (400) |
| Changes in Deferred franchise fees | 11,938 | 6,342 | 9,642 |
| Cash used in operating activities | (43) | — | (39) |
| Cash flows provided by investing activities | — | — | — |
| Cash provided by financing activities | — | — | — |
| Net decrease in restricted cash and cash equivalents | (43) | — | (39) |
| Restricted Cash and Restricted Cash Equivalents – Beginning of Year | 34,166 | 34,166 | 34,205 |
| Restricted Cash and Restricted Cash Equivalents – End of Year | $ 34,123 | $ 34,166 | $ 34,166 |

See accompanying notes to the financial statements.

## (1) Description of the Business

Taco Bell Franchisor, LLC (the "Company") is a wholly owned subsidiary of Taco Bell Franchisor Holdings, LLC (“Franchisor Holdco”), which is wholly owned by Taco Bell Funding, LLC (“the Issuer”). The Issuer is a wholly-owned subsidiary of Taco Bell Corp. (“TBC”) whose ultimate parent company is Yum Brands, Inc. (“YUM”). The Issuer has four direct or indirect wholly-owned subsidiaries, Franchisor Holdco, the Company, Taco Bell Franchise Holder 1, LLC (“Franchise Holder”) and Taco Bell IP Holder LLC (“IP Holder”). The Issuer and its subsidiaries were formed as single-member, special purpose Delaware limited liability companies in connection with its financing arrangement described in Note 5, which was completed on May 11, 2016 (the “Closing Date”). The Company commenced operations on the Closing Date.

On the Closing Date, TBC entered into contribution agreements with the Issuer pursuant to which TBC contributed certain assets to the Issuer and its subsidiaries, including all third-party franchise and development agreements existing on the Closing Date and certain U.S. intellectual property (“IP”) related to the Taco Bell brand. IP Holder owns and licenses Closing Date IP and IP created, developed or acquired after the Closing Date related to the Taco Bell Brand (collectively “Securitization IP”).

The terms "franchise" or "franchisee" within these financial statements are meant to describe third parties that operate units under either franchise or license agreements as well as affiliated restaurants operating under master franchise and license agreements with the Company as described in Note 4.

The Company’s primary business purpose is, among other things, to serve as the franchisor under U.S. agreements executed on or after the Closing Date. Franchise Holder serves as the franchisor under U.S. franchise agreements contributed to Franchise Holder by TBC on the Closing Date. The Company had no rights to any existing franchise agreements contributed to Franchise Holder prior to the Closing Date. Franchisor Holdco serves as the holding company of both the Company and Franchise Holder. The Company’s franchise agreements include the master franchise agreements with its affiliated entities described in Note 4, and any U.S. franchise agreements executed after the Closing Date relating to the Taco Bell brand for new restaurants as well as franchise transfers and successor agreements for stores that existed at the Closing Date and were contributed to Franchise Holder. The Company had 5,314 units, 4,114 units and 3,754 units at December 28, 2021, December 29, 2020 and December 31, 2019, respectively. The increase is driven by new restaurants and transfers of franchise restaurants that existed at the Closing Date from Franchise Holder to the Company.

The Company and Franchise Holder franchise both traditional and non-traditional Mexican-style quick service restaurants which prepare, package and sell a menu of competitively priced food items operating under the Taco Bell brand. Traditional restaurants can feature dine-in, carryout, drive-thru or delivery services through third parties. Non-traditional units include express units and kiosks which have a more limited menu and operate in non-traditional locations like malls, airports, gasoline service stations, train stations, subways, convenience stores, stadiums, amusement parks and colleges, where a full-scale traditional outlet would not be practical or efficient.

The activities of the Company are limited to:

- licensing from IP Holder, for a 99-year term, an exclusive (except as to each other initial licensee thereunder) royalty-free license to use and sublicense Securitization IP in the U.S. in connection with the restaurants operating under the Taco Bell brand and as part of the Company’s corporate name or trade name;

- acting as franchisor under the applicable franchise agreements;

- entering into new franchise agreements and other related agreements with U.S. franchisees;

- maintaining a franchise capital account and any funds on deposit therein;

- entering into the guarantee and collateral agreement, pursuant to which the Company guarantees the Issuer's notes described in Note 5, guaranteeing additional series of notes from time to time and, pursuant to the guarantee and collateral agreement, granting to the trustee a lien on certain collateral owned by the Company as security for obligations of the Issuer and the obligations of the Company under the guarantee and collateral agreement;

- entering into the management agreement, pursuant to which TBC ("the Manager") will manage assets and provide certain other services on behalf of securitization entities as described in Note 4;

- entering into the other transaction documents to which it is a party and undertaking any other activities related thereto.

The Company is required to maintain a minimum of $15 million in net worth in order to qualify for the large franchisor exemption under certain U.S. state franchise registration laws. As of December 28, 2021, the Company had $27.8 million of net worth reflected as member's equity.

Cash generated by the franchise agreements is not directly collected by the Company or Franchise Holder as such cash is deposited into an account held in the name of the Issuer and such cash is transferred to trustee cash accounts described in Note 5. The Company, Franchise Holder, Franchisor Holdco, the Issuer and IP Holder (collectively the "Securitization Entities") have entered into an amended and restated management agreement with the Manager under which the Manager performs certain services related to franchise arrangements and other assets held by the Securitization Entities, including collecting franchise payments and managing the assets. See Note 4 for further discussion of the management agreement.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Presentation and Consolidation*

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP") and include the accounts of the Company, which has no subsidiaries.

### *(b) Use of Estimates*

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

### *(c) Fiscal Year*

The Company fiscal year ends on the last Tuesday in December. As a result, there will be either 52 or 53 weeks in the fiscal year.

Fiscal year 2019 included 53 weeks which added $5.6 million to Total revenues and Net income in its 2019 Statement of Income.

The next fiscal year scheduled to include a 53rd week is 2024.

### *(d) Restricted Cash and Cash Equivalents*

Restricted cash and cash equivalents represent funds the Company has temporarily invested (with original maturities not exceeding three months). The Company's restricted cash and cash equivalents of $34.1 million and $34.2 million as of December 28, 2021 and December 29, 2020, respectively are held in a trust account and relate to an interest reserve required under the indenture as described in Note 5. This balance is deposited at one financial institution and exceeds amounts federally insured. The Company has not experienced losses in such account and management believes the Company mitigates its risk by utilizing a major financial institution.

### *(e) Accounts Receivable*

The Company's receivables are primarily generated from ongoing business relationships with its third-party franchisees as a result of franchise agreements. Trade receivables consisting of royalties from third-party franchisees are classified as Accounts receivable, net in the Balance Sheets. Receivables consisting of royalties from stores operated by TBC and its affiliate entity Taco Bell of America, LLC ("TBA") under master franchise agreements as described in Note 4 are classified as Due from affiliates in the Balance Sheets. Trade receivables from third party franchisees and affiliates are generally due on or before the 5th business day immediately following the accounting period in which the sales were made. Effective with the adoption of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-13, Financial Instruments—Credit Losses ("Topic 326") at the beginning of the fiscal year ended December 29, 2020, receivables are now stated net of expected credit losses. There was no impact to the Company's net receivables as a result of adopting Topic 326. Expected credit losses for uncollectible franchisee receivable balances consider both current conditions and reasonable and supportable forecasts of future conditions. Current conditions considered include pre-defined aging criteria as well as specified events that indicate the Company may not collect the balance due. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available data regarding default probability. While the best information available is used in making a determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond the Company's control. Trade accounts receivable that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts. Write-offs in 2021 and 2020 were $17 thousand and $62 thousand, respectively.

### *(f) Fair Value of Financial Instruments*

The carrying amount of accounts receivable and restricted cash and cash equivalents approximate fair value because of the short-term nature of these instruments.

### *(g) Franchise and License Operations*

The Company executes franchise agreements for units operated by third parties as well as for its affiliated entities, TBC and TBA, under master franchise agreements described in Note 4. Such agreements set out the terms of the arrangement with the franchisee. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. The franchise agreement does not afford franchisees any right to renew the same, or to obtain a successor franchise agreement, following expiration. At the end of the franchise agreement term, a franchisee may request a successor franchise agreement, which TBC as manager may grant at its sole discretion.

Additionally, the Company offers cash and other incentives from time-to-time to qualifying franchisees under various franchise incentive programs. Such programs include but are not limited to cash to incent franchisees to open certain types of new restaurants and offering free or subsidized restaurant equipment.

***(h) Revenue Recognition***

Below is a discussion of how our revenues are earned, our accounting policies pertaining to revenue recognition under ASC Topic 606, Revenue from Contracts with Customers ("Topic 606") and other required disclosures.

Franchise and License Fees

The Company's most significant source of revenues arises from the operation of stores by its third-party franchisees and affiliated entities. Franchise rights may be granted through a store-level franchise agreement or a master franchise agreement that sets out the terms of our arrangement with the franchisee. The Company's franchise agreements require that the franchisee remit continuing fees based on a percentage of the applicable restaurant's sales in exchange for the license of the intellectual property associated with the Taco Bell brand (the "franchise right"). The Company's store-level franchise agreements also typically require certain, less significant, upfront franchise fees such as initial fees paid upon opening of a store, upfront fees paid in conjunction with successor franchise agreements and fees paid in the event the franchise agreement is transferred to another franchisee.

Continuing fees represent the substantial majority of the consideration the Company receives under its franchise agreements. Continuing fees are typically paid each period and are usually 5.5% of sales for traditional franchise agreements and usually 10% of sales for non-traditional units. Based on the application of the sales-based royalty exception within Topic 606, continuing fees are recognized as the related restaurant sales occur.

Upfront initial fees are typically paid prior to the store opening, upfront successor fees are generally paid upon execution of the successor franchise agreement and transfer fees are generally paid when an existing agreement is transferred to another franchisee. The Company has determined that the services provided in exchange for upfront initial fees, which primarily relate to pre-opening support, and successor and transfer fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, such upfront franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property. Revenues from continuing fees and upfront franchise fees are presented within Franchise and license fees in the Statements of Income.

Additionally, from time-to-time the Company provides non-refundable consideration to franchisees in the form of cash or other incentives (e.g. cash payments to incent new unit openings, free or subsidized equipment, etc.). The Company's intent in providing such consideration is to drive new unit development or same-store sales growth that will result in higher future revenues for the Company. Such consideration is capitalized and presented within Franchise incentives in the Balance Sheets. These assets are being amortized as a reduction in Franchise and license fees over the period of expected cash flows from the franchise agreements to which the payment relates. To the extent the consideration is unpaid at the balance sheet date, a corresponding obligation is presented within Accrued franchise incentives in the Balance Sheets.

***(i) Contract Liabilities***

Deferred franchise fees include contract liabilities of $58.8 million and $50.9 million as of December 28, 2021 and December 29, 2020, respectively. These contract liabilities are comprised of unamortized upfront fees received from franchisees. Additionally, deferred franchise fees also include $9.4 million and $5.3 million as of December 28, 2021 and December 29, 2020, respectively, of upfront fee deposits paid to the Company associated with new franchise contracts for stores not yet opened and future successor agreements.

***(j) Income Taxes***

The Company was formed as a single member limited liability corporation that is disregarded for income tax purposes and is not subject to U.S. federal and state income taxes. The income of the Company is taxed and attributable to income tax filings of the TBC and YUM entities. Therefore, the accompanying Statements of Income do not include a provision for income taxes nor have current or deferred U.S. income tax assets or liabilities been recorded in the accompanying Balance Sheets.

***(k) Reclassifications***

The Company has reclassified certain items in the financial statements for the prior period to be comparable with the classification for the fiscal year ended December 28, 2021. These reclassifications had no effect on previously reported Net Income.

**(3) Member's Equity**

The Company is authorized to issue a single class of limited liability interest. Franchisor Holdco is the sole member of the Company under its amended and restated limited liability company agreement.

All cash collections related to the Company's franchise operations are not directly collected or held by the Company as such amounts are deposited into an account held in the name of the Issuer. Additionally, the Manager pays for franchise incentives and the Issuer reimburses the Manager with cash collected from franchise cash collections on behalf of the Company. The net cash collected by the Issuer on behalf of the Company is recorded as non-cash distributions in the Statements of Member's Equity and in the Statements of Cash Flows as such cash is never received by the Company and such amounts are not expected to be paid to the Company by the Issuer.

Upon the effective date of a newly issued franchise agreement, deferred franchise fee and unamortized franchise incentive balances, if any, associated with the legacy agreement are transferred to the Company from Franchise Holder if the issuance is accounted for as a contract continuation under Topic 606. If the issuance is accounted for as a contract termination under Topic 606 then the unamortized deferred franchise fees and franchise incentives are recognized through earnings upon the effective date of the new franchise agreement. Most often, the issuance of new franchise agreements is recognized as a contract continuation based on the continued obligation to provide the franchise right to the franchisee as well as minimal changes in the expected cash flows from the franchise agreement. The transfer of unamortized franchise incentives and deferred franchise fees balances are recorded as non-cash distributions in the Statements of Member's Equity and in the Statements of Cash Flow since the cash was never received or paid by the Company nor are these amounts expected to be cash settled between the Company and the Issuer.

Total non-cash distributions of $471.0 million, $374.2 million and $305.4 million were recorded in the Statements of Member's Equity and in the Statements of Cash Flows for the fiscal years ended December 28, 2021, December 29, 2020 and December 31, 2019, respectively.

## (4) Related Party Transactions

### *(a) Management Agreement*

The Company does not have any employees, and the officers of the Company are employees of TBC and compensation for these officers are paid and expensed by TBC. In conjunction with the Issuer's 2021 financing arrangement, TBC and the Securitization Entities entered into an amended and restated management agreement ("A&R Management Agreement") on August 19, 2021. The A&R Management Agreement amended, restated and superseded the original management agreement in its entirety. In its capacity as the Manager of the Securitization Entities' assets ("Managed Assets"), the Manager performs certain services on behalf of the Securitization Entities, including, among other things, collecting franchisee and licensee payments, managing the Managed Assets on behalf of the Securitization Entities, and performing certain franchising, marketing, intellectual property and operational and reporting services on behalf of the Securitization Entities with respect to the Managed Assets. In exchange for providing such services, the Manager is entitled to receive a management fee from the Issuer as defined in the A&R Management Agreement. Neither the expenses incurred by TBC to fulfill its responsibilities under the A&R Management Agreement, nor any management fees to compensate TBC for those services provided, are allocated to the Company, because the management fee is paid by the Issuer, and there is no reasonable basis for allocation to the Company.

### *(b) Master Franchise Agreements with Affiliates*

On the Closing Date, the Company entered into master franchise and license agreements with TBC and TBA pursuant to which Taco Bell Franchisor grants TBC and TBA the right to operate restaurants owned by TBC and TBA and to use the Securitization IP in its restaurants for a term of 25 years. Under these agreements, TBC and TBA are required to pay continuing royalty rates consistent with those paid by third party franchisees. The continuing royalty fees of $51.8 million, $48.4 million and $50.4 million for the fiscal years ended December 28, 2021, December 29, 2020 and December 31, 2019, respectively, are presented as Royalties from affiliates in the Statements of Income and the accounts receivable balance of $3.9 million and $3.6 million at December 28, 2021 and December 29, 2020, respectively, is presented as Due from affiliates in the Balance Sheets.

### *(c) Other Related Party Transactions*

Due to affiliates of $1.3 million and $0.4 million as of December 28, 2021 and December 29, 2020, respectively, represent amounts owed by the Company to the Manager including reimbursement of cash refunds and cash incentive payments made to franchisees by the Manager on behalf of the Company.

## (5) Guarantees and Other Commitment and Contingencies

The Company, Franchisor Holdco, Franchise Holder and IP Holder (collectively, the "Guarantors"), each a direct or indirect wholly owned subsidiary of the Issuer, jointly and severally guarantee the obligations of the Issuer under the indenture described below and the other transaction documents and secure such guarantees by granting to the trustee, for the benefit of the secured parties, a security interest in substantially all of the Guarantors' assets, including the Company's interest reserve account.

Through a series of securitization transactions, the Issuer has issued fixed rate senior secured notes (collectively, the "Securitization Notes"). The following table summarizes the Securitization Notes outstanding at December 28, 2021:

(Tabular amounts in thousands)

| Issuance Date | Anticipated Repayment Date[(a)] | Outstanding Principal | Stated Interest Rate |
|---|---|---|---|
| May 2016 | May 2026 | $ 955,000 | 4.970% |
| November 2018 | November 2028 | $ 606,250 | 4.940% |
| August 2021 | February 2027 | $ 900,000 | 1.946% |
| August 2021 | February 2029 | $ 600,000 | 2.294% |
| August 2021 | August 2031 | $ 750,000 | 2.542% |

(a) The legal final maturity dates of the Securitization Notes issued in 2016, 2018 and 2021 are May 2046, November 2048 and August 2051, respectively. If the Issuer has not repaid or refinanced a series of Securitization Notes prior to its respective Anticipated Repayment Dates, rapid amortization of principal on all Securitization Notes will occur and additional interest will accrue on the Securitization Notes.

The May 2016 Securitization Notes were issued in transaction pursuant to which certain of TBC's domestic assets, consisting principally of franchise-related agreements and domestic intellectual property, were contributed to the Securitization Entities to secure the Securitization Notes. The Securitization Notes are secured by substantially all of the assets of the Securitization Entities, and include a lien on all existing and future U.S. Taco Bell franchise and license agreements and the royalties payable thereunder, existing and future U.S. Taco Bell intellectual property, certain transaction accounts and a pledge of the equity interests in asset-owning Securitization Entities. The remaining U.S. Taco Bell assets that were excluded from the transfers to the Securitization Entities continue to be held by TBA and TBC. The Securitization Notes are not guaranteed by the remaining U.S. Taco Bell assets, YUM or any other subsidiary of YUM.

Payments of interest and principal on the Securitization Notes are made from the amounts paid pursuant to the franchise and license agreements with all U.S. Taco Bell restaurants, including both affiliate and franchise operated restaurants. Interest on and principal payments of the Securitization Notes are due on a quarterly basis. In general, no amortization of principal of the Securitization Notes is required prior to their anticipated repayment dates unless as of any quarterly measurement date the leverage ratios (the ratio of total debt to Net Cash Flow (as defined in the related indenture)) for the preceding four fiscal quarters of either YUM or the Issuer and its subsidiaries exceeds 5.0:1, in which case amortization payments of 1% per year of the outstanding principal as of the closing of the Securitization Notes are required. As of the most recent quarterly measurement date, the leverage ratios as defined in the indenture are above 5.0:1 and, as a result, amortization payments are required.

The Securitization Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Issuer maintains specified reserve accounts to be available to make required interest payments in respect of the Securitization Notes, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the Securitization Notes under certain circumstances, (iii) certain indemnification payments relating to taxes, enforcement costs and other customary items and (iv) covenants relating to recordkeeping, access to information and similar matters. The Securitization Notes are also subject to rapid amortization events provided for in the indenture, including events tied to failure to maintain a stated debt service coverage ratio (as defined in the indenture) of at least 1.1:1, gross domestic sales for branded restaurants being below certain levels on certain measurement dates, a manager termination event, an event of default and the failure to repay or refinance the Securitization Notes on the Anticipated Repayment Date (subject to limited cure rights). The Securitization Notes are also subject to certain customary events of default, including events relating to non-payment of required interest or principal due on the Securitization Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective, certain judgments and failure of the Securitization Entities to maintain

a stated debt service coverage ratio. As of December 28, 2021, the Issuer was in compliance with all of its debt covenant requirements and was not subject to any rapid amortization events.

In accordance with the Indenture, certain cash accounts have been established with the indenture trustee for the benefit of the note holders and are restricted in their use. The indenture requires a certain amount of securitization cash flow collections to be allocated on a weekly basis and maintained in cash reserve accounts. Additionally, the Issuer is required to maintain a senior notes interest reserve amount equal to the Securitization Notes interest for the next quarterly payment date. This interest reserve requirement may be met through deposits into a senior note interest reserve account and/or issuance of an interest reserve letter of credit. As of December 28, 2021, the Company had restricted cash of $34.1 million in the senior note interest reserve account.

Additional cash reserves are required if any of the rapid amortization events occur, as noted above, or in the event that as of any quarterly measurement date the Securitization Entities fail to maintain a debt service coverage ratio (or the ratio of Net Cash Flow to all debt service payments for the preceding four fiscal quarters) of at least 1.75:1. The amount of weekly securitization cash flow collections that exceed the required weekly allocations is generally remitted to TBC. During the fiscal year ended December 28, 2021, the Securitization Entities maintained a debt service coverage ratio in excess of the 1.75:1 requirement.

## (6) Subsequent Events

The Company has evaluated subsequent events occurring through March 25, 2022, the issuance date of the accompanying financial statements and related notes thereto and determined no other items require disclosure.

# EXHIBIT H

# STATE ADDENDA TO THE DISCLOSURE DOCUMENT AND LICENSE AGREEMENT

**STATE OF CALIFORNIA**
**ADDENDUM TO DISCLOSURE DOCUMENT**

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

The California Business and Professions Code Section 20000 through 20042 provide rights to the Licensee concerning termination or non-renewal for a license. If the License Agreement contains a provision that is inconsistent with the law, the law will control.

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.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

If the License Agreement provides for termination upon bankruptcy, this provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

With respect to the licenses governed by California law, Taco Bell will comply with the California Franchise Relations Act, Section 20025, which requires except in certain specific cases, that a licensee be given 180 days written notice for non-renewal of the franchise agreement.

Licensor's Uniform Resource Locator ("URL") address is www.yum.com/franchising

Licensor's website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

The State of California also requires that the following Addendum to License Agreement be included in the FDD.

**ADDENDUM TO**
**LICENSE AGREEMENT FOR THE STATE OF CALIFORNIA**

In recognition of the requirement of the California Franchise Investment Law, the parties to the attached TACO BELL FRANCHISOR, LLC LICENSE AGREEMENT ("the Agreement") agree as follows:

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE LICENSE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

Section 15 of the Agreement, "Expiration and Termination," shall be supplemented by the following sentences which shall be considered an integral part of the Agreement:

California Business and Professions Code Sections 20000 through 20043 provide rights to the licensee concerning termination or non-renewal of a license. If the License agreement contains a provision that is inconsistent with the law, the law will control.

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.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

If the License Agreement provides for termination upon bankruptcy, this provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

If the License Agreement contains a liquidated damages clause, under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Section 3.8 of the Agreement, under the heading "Restaurant System and Procedures" shall be supplemented by the following sentences which shall be considered an integral part of the Agreement:

If the License Agreement contains a covenant not to compete which extends beyond the termination of the license, this provision may not be enforceable under California law.

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said License Agreement or Exhibits or Attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the License Agreement on the same day and year that the License Agreement has been executed.

| TACO BELL FRANCHISOR, LLC | LICENSEE |
|---|---|
| | _____ |
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |
| Date: _____ | Date: _____ |

**STATE OF ILLINOIS**
**ADDENDUM TO DISCLOSURE DOCUMENT**

The License Agreement permits the Licensee to sue only in Orange County, California. Out of state litigation may force you to accept a less favorable settlement. It may also cost more to litigate with Taco Bell in Orange County, California than in your home state.

The above matters, which are governed by the Illinois Franchise Disclosure Act, will be governed by Illinois law.

IF YOU WILL BE PURCHASING A LICENSE IN THE STATE OF ILLINOIS: You have not been provided with financial statements of the licensor. Therefore, you do not have knowledge of how this specific company has performed. However, the guarantor guarantees the performance of the licensor, and a copy of the Guaranty of Performance is on file with the Attorney General.

The State of Illinois also requires that the following Addendum to License Agreement be included in the FDD.

**ADDENDUM TO**
**LICENSE AGREEMENT FOR THE STATE OF ILLINOIS**

In recognition of the requirement of the Illinois Franchise Disclosure Act, the parties to the attached TACO BELL FRANCHISOR, LLC LICENSE AGREEMENT agree as follows:

Section 16.3 of the License Agreement is modified by the addition of the following language:

"Notwithstanding the above language, pursuant to the Illinois Franchise Disclosure Act, Illinois law shall govern the interpretation and enforcement of the License Agreement.

Jurisdiction and venue shall be governed by the Illinois Franchise Disclosure Act, which provides that any provision in the License Agreement which designates jurisdiction or venue in a forum outside of the State of Illinois is void with respect to any cause of action which otherwise is enforceable in the State."

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of the License Agreement or Exhibits or Attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby executes this Addendum as of the day and year first above written.

| TACO BELL FRANCHISOR, LLC | LICENSEE |
|---|---|
| | _____ |
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |
| Date: _____ | Date: _____ |

## STATE OF INDIANA ADDENDUM TO DISCLOSURE DOCUMENT

Section 23-2-2.7-1(10) of the Indiana Code states that it is unlawful to limit litigation in any manner whatsoever, therefore, a provision in a License Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void. The State of Indiana also requires that the following Addendum to License Agreement be included in the FDD.

## ADDENDUM TO LICENSE AGREEMENT FOR THE STATE OF INDIANA

In recognition of the requirement of the Indiana Code, the parties to the attached TACO BELL FRANCHISOR, LLC LICENSE AGREEMENT (the "Agreement") agree as follows:

1. Section 1 of the License Agreement, "Grant of Rights," shall be supplemented by the following sentences which shall be considered an integral part of the Agreement:

"Section 23-2-2.7-1(2) of the Indiana Code states that "if a license agreement does not grant an exclusive territory, then a licensor may not compete unfairly with a licensee within a reasonable area."

2. Section 3.8 of the License Agreement, under the heading "Restaurant System and Procedures" shall be supplemented by the following sentences which shall be considered an integral part of the Agreement:

"Section 23-2-2.7-1(9) of the Indiana Code states that "as a condition of the sale of a license, a licensor may not require a prospective licensee to covenant not to compete with the licensor for a period longer than three (3) years, or in an area greater than the exclusive area granted by the license agreement, or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the license."

3. Section 13 of the License Agreement "Sale and Assignment" shall be supplemented by the following sentences which shall be considered an integral part of the Agreement:

"Section 23-2-2.7-1(5) of the Indiana Code states that "as a condition of the sale of a license, a licensor may not require a prospective licensee to assent to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability under this subtitle."

4. Sections 16.3 and 16.4 of the License Agreement "Choice of Law" and "Jurisdiction and Venue", shall be supplemented by the following sentences which shall be considered an integral part of the Agreement:

> "Section 23-2-2.7-1(10) of the Indiana Code states that "it is unlawful for any license agreement entered into between a licensor and a licensee who is either a resident of Indiana or a nonresident who will be operating a license in Indiana, to limit litigation brought for breach of the agreement in any manner whatsoever, therefore, a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void."

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said License Agreement or Exhibits or Attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the License Agreement on the same day and year that the License Agreement has been executed.

| TACO BELL FRANCHISOR, LLC | LICENSEE |
|---|---|
| | _____ |
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |
| Date: _____ | Date: _____ |

**STATE OF MARYLAND**
**ADDENDUM TO DISCLOSURE DOCUMENT**

Sections 17. (v) and (w) of the FDD are amended by adding to the Summary section the following provision:

A licensee 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.

**ADDENDUM TO**
**LICENSE AGREEMENT FOR THE STATE OF MARYLAND**

In recognition of the requirement of the Maryland Franchise Registration and Disclosure Law, the Parties to the attached Taco Bell Franchisor, LLC License Agreement (the "Agreement") agree as follows:

Section 16 of the Agreement, "Miscellaneous," is supplemented by the following sentence, which shall be considered an integral part of the Agreement:

> 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, estoppels or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 16.3 of the Agreement, "Applicable Law," is supplemented by the following sentences which shall be considered an integral part of the Agreement:

> The Maryland Franchise Registration and Disclosure Law allows a licensee to bring a lawsuit in Maryland for claims arising under this Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the license.

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of the License Agreement or Exhibits or Attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the License Agreement on the same day and year that the License Agreement has been executed.

| TACO BELL FRANCHISOR, LLC | LICENSEE |
|---|---|
| | _____ |
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |
| Date: _____ | Date: _____ |

**STATE OF MICHIGAN**
**ADDENDUM TO DISCLOSURE DOCUMENT**

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishing not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval recommendation, or endorsement by the Attorney General. Any questions regarding this notice should be directed to: Department of Attorney General, Consumer Protection Agency, Attn: Franchise Section, Williams Building 6th Floor, 525 West Ottawa Street, Lansing, Michigan 48933 Telephone Number: (517) 373-7117

**STATE OF MINNESOTA**
**ADDENDUM TO DISCLOSURE DOCUMENT**

These licenses have been registered under the Minnesota Franchise Act. Registration does not constitute approval, recommendation, or endorsement by the Commissioner of Commerce of Minnesota or a finding by the Commissioner that the information provided herein is true, complete, and not misleading.

The Minnesota Franchise Act makes it unlawful to offer or sell any license in this state which is subject to registration without first providing to the licensee, at least 7 days prior to the execution by the prospective licensee of any binding license or other agreement, or at least 7 days prior to the payment of any consideration, by the licensee, whichever occurs first, a copy of this public offering statement, together with a copy of all proposed agreements relating to the license. This public offering statement contains a summary only of certain material provisions of the license agreement. The contract or agreement should be referred to for an understanding of all rights and obligations of both the licensor and the licensee.

A provision in a license agreement which requires a licensee to assent to a general release is prohibited under Minnesota Rule 2860.4400D.

With respect to the licenses governed by Minnesota law, Taco Bell will comply with Minnesota Statutes 80C.14 subdivisions 3, 4 and 5 which require except in certain specific cases, that a licensee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the license agreement.

Liquidated damage provisions are void in the state of Minnesota.

The Risk Factors section of the State Cover Page is supplemented by the following provision:

Minn. Stat. Sec. 80c.21 and Minn. Rule Part 2860.4400j prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or License Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80c, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

The Minnesota Department of Commerce requires that Taco Bell indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the licensee's use of Taco Bell's trademark infringes on the trademark rights of the third party. Taco Bell will provide such indemnity only if licensee's use of Taco Bell's trademarks is in accordance with the requirements of the license. As a condition to indemnification, licensee must provide notice to Taco Bell of any infringement claim within ten (10) days of licensee’s receipt of such claim and tender the defense of the claim to Taco Bell. If Taco Bell accepts the tender of defense, Taco Bell has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

The State of Minnesota also requires that the following Addendum to License Agreement be included in the FDD:

**ADDENDUM TO**
**LICENSE AGREEMENT FOR THE STATE OF MINNESOTA**

In recognition of the requirement of the Minnesota Franchise Act, the parties to the attached TACO BELL FRANCHISOR, LLC LICENSE AGREEMENT (the "Agreement") agree as follows:

1. Section 14 of the Agreement, "Trademarks," shall be supplemented by the following paragraph which shall be considered an integral part of the Agreement:

> The Minnesota Department of Commerce requires that Licensor indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the Licensee's use of Licensor's trademark infringes trademark rights of the third party. Licensor will provide such indemnity only if Licensee's use of Licensor's trademarks is in accordance with the requirements of the license. As a condition to indemnification, Licensee must provide notice to Licensor of any infringement claim within ten (10) days and tender the defense of the claim to Licensor. If Licensor accepts the tender of defense, Licensor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Section 15 of the Agreement, "Expiration and Termination," shall be supplemented by the following paragraph which shall be considered an integral part of the Agreement:

> With respect to licenses governed by Minnesota law, the Licensor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a licensee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the license agreement.

3. Section 16.3 of the Agreement, "Applicable Law," shall be supplemented by the following sentence which shall be considered an integral part of the Agreement:

> Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction

To the extent this Amendment shall be deemed to be inconsistent with any terms or conditions of said License Agreement or Exhibits or Attachments thereto, the terms of this Amendment shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the License Agreement on the same day and year that the License Agreement has been executed.

| TACO BELL FRANCHISOR, LLC | LICENSEE |
|---|---|
| | _____ |
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |
| Date: _____ | Date: _____ |

**STATE OF NEW YORK**
**ADDENDUM TO DISCLOSURE DOCUMENT**

Registration of this license by New York State does not mean that New York State recommends it or has verified the information in this EDD. If you learn that anything in the offering circular is untrue, contact the Federal Trade Commission and New York State Department of Law, Investor Protection Bureau, 28 Liberty Street, 21st Floor, New York, NY 10005.

The licensee will not be granted any exclusive territory. The licensor may, if it chooses, negotiate with you about items covered in the prospectus. However, the licensor cannot use the negotiating process to prevail upon a prospective licensee to accept terms which are less favorable as those set forth in this prospectus.

Item 3 of the FDD is amended by adding at the end of the item the following provision:

"Except as disclosed above or in disclosure documents of its affiliates, none of Taco Bell, its predecessors, its affiliates, or a person identified in Item 2 or of this disclosure document has ever had an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. No one has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations. No one is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchanges, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent."

Item 4 of the FDD is amended by adding at the end of the item the following provision:

"Except as disclosed above, none of Taco Bell, its affiliates, its predecessors, or its officers, during the 10-year period immediately before the date of the disclosure document has: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within the 1 year after the officer of the franchisor held this position in the company."

Item 17. (w) of the FDD is amended by adding to the Summary section the following provision:

"The foregoing Choice of Law should not be considered a waiver of any right conferred upon the Licensee by the General Business Law of the State of New York, Article 33."

The State of New York also requires that the following Addendum to License Agreement be included in the FDD:

**ADDENDUM TO**
**LICENSE AGREEMENT FOR THE STATE OF NEW YORK**

In recognition of the requirement of the New York General Business Law, the parties to the attached TACO BELL FRANCHISOR, LLC LICENSE AGREEMENT (the "Agreement") agree as follows:

Section 15 of the Agreement, "Expiration and Termination," shall be supplemented by the addition of the following paragraph which shall be considered an integral part of the Agreement:

> The Licensee is permitted to terminate the Agreement upon any ground available by applicable law under this Agreement.

Section 16.3 of the Agreement, "Applicable Law," shall be supplemented by the following sentence which shall be considered an integral part of the Agreement:

> The foregoing choice of law should not be considered a waiver of any right conferred upon either the Licensor or upon the Licensee by the GBL of the State of New York, Article 33.

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said License Agreement or Exhibits or Attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the License Agreement on the same day and year that the License Agreement has been executed.

| TACO BELL FRANCHISOR, LLC | LICENSEE |
|---|---|
| | _____ |
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |

## STATE OF NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

Pursuant to the North Dakota Franchise Investment Law, Section 51-19-09, the Securities Commissioner has held that a provision in a license agreement which requires a licensee to sign a general release upon transfer of the license agreement is unfair, unjust and inequitable, and is not enforceable in the state of North Dakota.

Pursuant to the North Dakota Franchise Investment Law, Section 51-19-09, the Securities Commissioner has held that a provision in a license agreement which requires a licensee to consent to a waiver of exemplary and punitive damages is unfair, unjust and inequitable, and is not enforceable in the state of North Dakota.

Liquidated damage provisions are void in the state of North Dakota.

The State of North Dakota requires that the following Addendum to License Agreement be included in the FDD:

## ADDENDUM TO LICENSE AGREEMENT FOR THE STATE OF NORTH DAKOTA

In recognition of the requirement of the North Dakota Franchise Investment Law, the parties to the attached TACO BELL FRANCHISOR, LLC LICENSE AGREEMENT (the "Agreement") agree as follows:

Section 3.8 of the Agreement, under the heading "Restaurant System and Procedures" shall be supplemented by the following paragraph which shall be considered an integral part of the Agreement:

"North Dakota (North Dakota Franchise Investment Laws, Section 51-19-09) has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable, and are generally considered unenforceable in the State of North Dakota."

Section15 of the Agreement, under the heading "Expiration and Termination" shall be supplemented by the following paragraph which shall be considered an integral part of the Agreement:

"North Dakota (North Dakota Franchise Investment Laws, Section 51-19-09) has held that requiring a franchisee to consent to liquidated damages as being unfair, unjust, and inequitable."

Sections 16.3 and 16.4 of the Agreement, under the headings "Choice of Law" and "Jurisdiction and Venue," shall be supplemented by the following paragraph which shall be considered an integral part of the Agreement:

"North Dakota (North Dakota Franchise Investment Laws, Section 51-19-09) has held that requiring franchisees to consent to the jurisdiction of courts or to be governed by laws of a state outside of North Dakota (where the franchise is situated in North Dakota) is unfair, unjust or inequitable."

To the extent this Amendment shall be deemed to be inconsistent with any terms or conditions of said License Agreement or Exhibits or Attachments thereto, the terms of this Amendment shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the License Agreement on the same day and year that the License Agreement has been executed.

| TACO BELL FRANCHISOR, LLC | LICENSEE |
|---|---|
| | _____ |
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |
| Date: _____ | Date: _____ |

**STATE OF RHODE ISLAND**
**ADDENDUM TO DISCLOSURE DOCUMENT**

Section 199-28.1-14 of the Rhode Island Franchise Investment Act provides: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act."

**STATE OF WASHINGTON**
**ADDENDUM TO DISCLOSURE DOCUMENT**

The State of Washington requires that the following Addendum to License Agreement be included in the FDD:

**ADDENDUM TO**
**LICENSE AGREEMENT FOR THE STATE OF WASHINGTON**

The State of Washington has a Statute, RCW 19.100.180 which may supersede the License Agreement in your relationship with the licensor including the areas of termination and renewal of your license. There may also be court decisions which may supersede the License Agreement in your relationship with the licensor including the areas of termination and renewal of your license.

In any arbitration involving a license purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a licensee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the licensor's reasonable estimated or actual costs in effecting a transfer.

The undersigned does hereby acknowledge receipt of this Addendum.

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said License Agreement or Exhibits or Attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the License Agreement on the same day and year that the License Agreement has been executed.

| TACO BELL FRANCHISOR, LLC | LICENSEE |
|---|---|
| | _____ |
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |
| Date: _____ | Date: _____ |

**STATE OF WISCONSIN**
**ADDENDUM TO DISCLOSURE DOCUMENT**

The State of Wisconsin requires that the following Addendum to License Agreement be included in the FDD:

**ADDENDUM TO**
**LICENSE AGREEMENT FOR THE STATE OF WISCONSIN**

In recognition of the requirement of the Wisconsin Fair Dealership Law, the parties to the attached TACO BELL FRANCHISOR, LLC LICENSE AGREEMENT (the "Agreement") agree as follows:

Section 16.3 of the Agreement, "Applicable Law," shall be supplemented by the following sentence which shall be considered an integral part of the Agreement:

The Wisconsin Fair Dealership Law supersedes any provisions of the applicant's license contract or agreement inconsistent with that law.

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said License Agreement or Exhibits or Attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum to the License Agreement on the same day and year that the License Agreement has been executed.

| TACO BELL FRANCHISOR, LLC | LICENSEE |
|---|---|
| | _____ |
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |
| Date: _____ | Date: _____ |

# EXHIBIT I

# ASSET PURCHASE AGREEMENT

# AGREEMENT FOR PURCHASE AND SALE OF CERTAIN ASSETS AND FRANCHISES

**DATED [_____] [___], 20__**

**BY AND AMONG**

**[TACO BELL OF AMERICA, LLC][TACO BELL CORP.]**

**AND**

**TACO BELL FRANCHISOR, LLC**

**AND**

**[_____]**

**AND**

**[_____]**

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**AGREEMENT FOR PURCHASE AND SALE**
**OF CERTAIN ASSETS AND FRANCHISES**

This Agreement for Purchase and Sale of Certain Assets and Franchises ("Agreement") is made and entered into as of [_____] [___],20__, by and among [Taco Bell of America, LLC, a Delaware limited liability company][Taco Bell Corp., a California corporation] ("Seller") on the one hand, and [_____], a [corporation][limited liability company] ("Purchaser"), and [_____] (collectively, "Shareholders")[1] on the other hand. Seller's affiliate, Taco Bell Franchisor, LLC, a Delaware limited liability company (as used herein, "TB Franchisor"), by its signature on the signature page hereto, agrees to and acknowledges solely the specific provisions herein which are enumerated on the signature page hereto, with respect to duties or obligations incurred as a franchisor, and incurs no liability or responsibility in connection with any of the other provisions herein. For purposes of this Agreement, the term "affiliate" shall mean, with respect to any person or entity, any other person or entity that directly or indirectly controls, is controlled by, or is under common control with, such first person or entity.

**RECITALS**

A. Seller (directly or through one of its affiliates) is the owner and operator of certain Taco Bell restaurants, the locations of which are set forth on **Exhibit "A"** hereto (collectively, the "Restaurants");

B. Seller (directly or through one of its affiliates):

i. owns the fee simple interest in the premises ("Fees") on which Restaurants [_____] are located; and

ii. leases the premises and improvements ("Leaseholds") on which Restaurants [_____] are located, pursuant to leases ("Leases");

The Fees and the Leaseholds are sometimes referred to herein, collectively, as the "Real Properties." The Real Properties, or any interests therein, to be transferred, conveyed, assigned or leased, as the case may be, to Purchaser pursuant to this Agreement or any other agreement shall not include any excess land owned or leased by Seller which is not necessary for the operation of a Restaurant. Seller (directly or through one of its affiliates) reserves the right to dispose of such property solely for its own benefit without restriction as to the use thereof.

C. Seller (directly or through one of its affiliates) owns items of personal property which are used in the operation of the Restaurants, described as:

i. Inventory of food and paper products ("Inventory");

ii. Uniforms and supplies ("Supplies");

iii. Furniture, fixtures, equipment and other personal property items located at (and used to operate) the Restaurants ("Equipment"); and

[1] Note: If preferred, "Shareholders" as a defined term can be changed to "Members" here and throughout the document if entity is a limited liability company.

iv. Operating cash in the cash registers at the Restaurants at any given time ("Operating Cash").

The items identified in (i), (ii), (iii) and (iv) are hereafter referred to as the "Operations Assets." The Operations Assets, the Fees, the Leaseholds, and the goodwill of the business (not including any goodwill in any trade name, trademark, or service mark of Seller and its affiliates) at each of the Restaurants are hereafter referred to as the "Assets." Such Assets do not include any site-based licenses or radius licenses issued to Seller or one of its affiliates by the Federal Communications Commission ("FCC").

D. Seller and its affiliates are the originator of a distinctive concept and type of restaurant for the marketing, preparation and sale of certain Mexican and other style food products ("Taco Bell Restaurants") and are the owner of the trademarks and service marks appearing in Appendix I of TB Franchisor's standard franchise agreement (the "Trademarks"); Seller and its affiliates have developed and adopted for their own use and the use of Taco Bell franchisees a unique system of restaurant operation (the "System"), consisting in part of distinctive building designs, advertising signs, specially designed equipment, equipment layout plans, food presentation and formulae, certain business techniques, systems and procedures, and a Taco Bell Restaurants' operations manual; Seller and its affiliates have established, through their own development and operation, and through the granting of franchises (each as offered and entered into by TB Franchisor), a chain of Taco Bell Restaurants which are uniform in appearance, operation and product consistency and which enjoy a widespread and well established public acceptance due primarily to: (1) the maintenance of uniform, high standards in connection with the preparation and service of TB Franchisor approved menu items, (2) the uniform, high standards of appearance of Taco Bell Restaurants, (3) the use of distinctive trademarks, service marks, building designs and advertising signs representing a uniformly high quality of food products and restaurant services, and (4) the assumption by the Seller, TB Franchisor, and Taco Bell franchisees of the obligation to maintain and enhance the goodwill and public acceptance of Taco Bell Restaurants by strict adherence to the foregoing high standards;

E. Purchaser desires, upon the terms, conditions and provisions hereinafter set forth, to operate each of the Restaurants as a Taco Bell Restaurant pursuant to the terms and subject to the conditions of this Agreement and a Taco Bell franchise agreement substantially in the form of **Exhibit "B"** hereto (the "Taco Bell Franchise Agreement") and additional documents related to the Taco Bell Franchise Agreement or reasonably required by TB Franchisor to be executed by a franchisee in connection with a Taco Bell Franchise Agreement (each, an "Ancillary Document"), as offered and entered into by TB Franchisor, and will separately obtain any consents and franchises and otherwise take such actions as may be necessary to operate each of the Restaurants in conformity with any requirements of TB Franchisor;

F. Purchaser and Shareholders received on or before [_____] [___], 20___ TB Franchisor's Franchise Disclosure Document(s) ("FDD") dated [_____] [___], 20___; and

G. Seller desires to sell and transfer (or cause to be sold and transferred) to Purchaser all of the Assets and TB Franchisor desires to issue to Shareholders for assignment to Purchaser a Taco Bell Franchise Agreement allowing for operation of each of the Restaurants, and Purchaser desires to purchase

and accept the transfer of same, all in accordance with the terms and conditions set forth herein; and Shareholders desire that such transaction take place and to enter into a Taco Bell Franchise Agreement with TB Franchisor for the operation of each of the Restaurants as a Taco Bell Restaurant and to assign each of the Taco Bell Franchise Agreements to Purchaser in accordance with Seller's standard forms and procedures.

**NOW, THEREFORE,** in consideration of the mutual promises herein of the parties hereto, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged by each of the parties, the parties hereby agree as follows:

**1. Sale and Purchase.** Subject to the terms and conditions hereof, Seller shall sell or cause to be sold the Assets to Purchaser and Purchaser shall purchase the Assets from Seller or one of Seller's affiliates, as applicable. Contemporaneously with such sale and purchase, TB Franchisor shall grant to Shareholders a Taco Bell Franchise Agreement for each of the Restaurants; and Shareholders shall enter into the Taco Bell Franchise Agreements and assign them each to Purchaser using the standard form of assignment provided by TB Franchisor or its designee or affiliate, and Purchaser shall assume each of them pursuant to such assignment agreement. [For each multi-brand restaurant, Purchaser acknowledges that it will be required to obtain approval from the other food service (e.g., KFC, Pizza Hut) ("Other Food Service") multi-branded with the Taco Bell Restaurant. Seller will assist Purchaser in trying to obtain such approval, but Purchaser understands and agrees that such decision to grant or not grant approval will be the decision of the Other Food Service and not the decision of Seller. Purchaser also acknowledges that, in addition to the Purchase Price and the Initial Franchisee Fee (each as defined below) payable to Seller, Purchaser may be required to pay additional initial and/or other fees and sign separate franchise, license or other agreements, in accordance with the standards and procedures of the Other Food Service.][2]

**2. Purchase Price; Initial Franchise Fee.**

**2.1** The purchase price for the Assets (other than the Inventory, Supplies, Operating Cash and lease deposit reimbursements) shall be [_____] and No/100 U.S. Dollars ($[_____]) (the "Purchase Price"), which shall be allocated in accordance with Schedule 2 attached hereto using reasonable allocation figures, prior to the Closing Date (as defined in Section 7). In addition to the Purchase Price, Purchaser shall pay the sum of Forty-Five Thousand and No/100 U.S. Dollars ($45,000.00) (the "Initial Franchise Fee"), which Purchaser shall pay to TB Franchisor or TB Franchisor's designee (which designee may be Seller, in Seller's capacity as manager on behalf of TB Franchisor) for each of, and as required by, the Taco Bell Franchise Agreements to be issued to Shareholders by TB Franchisor pursuant to the terms hereof.

**2.2** Purchaser acknowledges that the Purchase Price has been reduced by Seller, for the benefit of Seller's affiliate, TB Franchisor, in consideration of Purchaser's obligation to upgrade certain Restaurants ("Upgrade Obligations") and Purchaser agrees to complete its Upgrade Obligations at its sole

[2] Note: To delete if not relevant.

cost and expense and in accordance with the schedule and specifications detailed on Schedule 2.2[3] attached hereto. Time is of the essence in connection with each of the Upgrade Obligations. Purchaser agrees that failure to complete the Upgrade Obligations in accord with this Section 2.2 and the specifications set forth on Schedule 2.2 will constitute a breach of this Agreement and entitle Seller to collect liquidated damages as described in Section 18.1 hereof. Purchaser also agrees that the Upgrade Obligations run to the benefit of TB Franchisor and that TB Franchisor is entitled to enforce the Upgrade Obligations.

**3. Value of Inventory, Supplies and Operating Cash.** The value of the Inventory, Supplies and Operating Cash is hereby estimated by the parties to be Seven Thousand, Five Hundred and No/100 U.S. Dollars ($7,500.00) per Restaurant (the "ISC Estimate"), an amount equal to which shall be paid by Purchaser to Seller in immediately available funds at the Closing (as defined in Section 7), as provided below. The actual value of the Inventory, Supplies and Operating Cash shall be determined as of the close of business on the Closing Date by a physical count of all Inventory, Supplies and Operating Cash to be made jointly by Purchaser and Seller at that time. The usable Inventory and Supplies shall be valued at Taco Bell standard costing, except for unpacked uniforms, which shall be valued at one-half standard pricing. Purchaser shall have the right to reasonably reject any excess or outdated Inventory or Supplies. Operating Cash transferred to Purchaser shall be reimbursed to Seller dollar for dollar. Within thirty (30) business days after the Closing Date, or by such time as may be mutually agreed upon by Purchaser and Seller, Purchaser or Seller, as appropriate, shall pay the other party the positive difference between the value of the Inventory, Supplies and Operating Cash and the ISC Estimate paid at Closing.

**4. Payment of Purchase Price.** The Purchase Price (together with the ISC Estimate and the reimbursement to Seller by Purchaser of all security and similar deposits held by each lessor under any Lease) shall be paid in cash to Seller by cashier's check or bank wire transfer to an account or accounts designated in writing by Seller. Purchaser shall pay 2% of the Purchase Price (but not the ISC Estimate or reimbursements described in the foregoing sentence) to Seller upon the execution of this Agreement to serve as a non-refundable deposit and exclusivity fee (the "Exclusivity Fee") and the remaining amounts due under this Section 4 at the Closing.

**5. Transfer of Real Property.[4]**

[**5.1** At Closing, Seller (or the applicable affiliate) shall assign or cause to be assigned the tenant's interest in the Leases to Purchaser effective as of the close of business on Closing Date. Purchaser shall accept the assignment and assume and be responsible for all obligations of the tenant pursuant to the Leases arising from and after the Closing Date. At the Closing, Purchaser and Seller (or its applicable affiliate) shall execute an Assignment and Assumption of Lease in the form of **Exhibit "F"** for each of the Leases. Purchaser acknowledges that Seller's obligation to assign the Leases is contingent upon obtaining all consents required under the Leases, including that of the landlord and landlord's

[3] Note: If there are no Upgrade Obligations, include "None." on Schedule 2.2.
[4] Note: To incorporate the relevant Section(s) in accordance with the type of real estate transaction.

mortgagee, if such consent is required pursuant to the terms contained therein. Purchaser shall cooperate with Seller and use its best efforts to secure the consents of landlord and landlord's mortgagee if such consents are required pursuant to the terms of the Leases. If a Lease requires that a review fee or other charge be paid to the landlord, its attorneys, accountants or other advisors in connection with the assignment of that Lease, such fee or other charge shall be paid by Purchaser. In the event Seller and Purchaser are unable to obtain any consent required under any Lease for the assignment of the tenant's interest to Purchaser, Seller shall sublease, or cause to be subleased, such interest to Purchaser (if permitted by the terms of the Lease) on terms and conditions reasonably acceptable to Purchaser and Seller. In the event Seller and Purchaser are unable to obtain any consent required under any Lease for a sublease of the affected premises, or are unable to agree on reasonable terms and conditions, either party may terminate this Agreement. Purchaser shall name Seller as an additional insured effective as of the close of business on the Closing Date with respect to its insurance coverage required to be carried under the terms of Leases.]

[**5.2.** At Closing, Seller (or its applicable affiliate) shall convey to Purchaser a leasehold interest in each of the Fees by way of a land and building lease agreement for each of the Fees substantially in the form of **Exhibit "H"** (the "Land and Building Lease").]

[**5.3.** At Closing, Seller (or its applicable affiliate) shall convey to Purchaser the fee simple interest in each of the Fees by way of a limited warranty deed (a "Deed") in the substantially similar form (subject to statutory or local requirements) of **Exhibit "I"** which Deed(s) shall include those restrictive covenants described on Exhibit B attached thereto.]

**6. Franchise Agreements; Required Contracts; Assumption of Liabilities.** Prior to or at the Closing, Purchaser shall execute the Taco Bell Franchise Agreement any and all Ancillary Documents that TB Franchisor customarily requires of franchisees, including, but not limited to those described in this Section 6.

**6.1** For each of the Restaurants, TB Franchisor shall cause the issuance to Shareholders of the standard Taco Bell Franchise Agreement for assignment to Purchaser in accordance with TB Franchisor's standard procedures, effective as of the close of business on the Closing Date, each for an original term expiring on the expiration date indicated for such Restaurant on **Exhibit "A"** hereto.

**6.2** Purchaser acknowledges that Pepsi-Cola fountain beverages are being served in the Restaurants. Purchaser shall continue to offer such beverages in the Restaurants following the Closing, shall execute any and all agreements and documents required of franchisees in respect of the Pepsi-Cola Beverage Supply and Marketing Agreement and shall abide by the terms of that contract.

**6.3** Purchaser shall irrevocably assume and, after the Closing, shall exclusively be responsible for, pay, perform and fully satisfy and discharge, in accordance with their terms, all liabilities and obligations arising or accruing, or pertaining to any period after the Closing Date:

(a) relating to the Restaurants or the Assets or the ownership, operation or condition of the Restaurants or the Assets;

(b) under all contracts, leases and other agreements (including each service, security, maintenance, construction, remodeling and supply contract and any contract relating to the supply of electricity and/or natural gas but excluding any contract for credit card services) pertaining to the Restaurants;

(c) arising from or relating to the Leases; and

(d) without limiting the foregoing, relating to personal injury (including workers' compensation), property damage, death or other injury, damage or loss to, by or of any person or entity, any property or any right, relating to the Restaurants or the Assets or the ownership, operation or condition of the Restaurants or the Assets, including any tort, breach of contract or violation of any statute, regulation or other law or requirement of any state, local or federal governmental agency.

**7. Closing.** The closing of the transactions contemplated hereby ("Closing") shall take place at a mutually acceptable location on or before [_____] [___], 20___ (the "Closing Date"). The escrow agent shall be [_____] (the "Escrow Agent") located at [_____].

**7.1** Any and all charges of the Escrow Agent, transfer taxes, surveys, environmental testing and searches, title insurance commitments and policies, recording charges and all other closing costs relating to the transfer of the Assets shall be the responsibility of Purchaser.

**7.2** Sales or use taxes assessed on the transfer of the Equipment shall be payable by Purchaser.

**7.3** Each of the parties shall execute and deliver at the Closing all instruments and take such other actions as are required by this Agreement as well as those reasonably requested by any other party to carry out the terms and intent of this Agreement.

**7.4** Possession of the Restaurants and the Operations Assets, and control of the operations of the Restaurants, will be delivered to Purchaser at the close of business on the Closing Date.

**7.5** Funds to be delivered by Purchaser at the Closing shall be wired to the Escrow Agent by 12:00 P.M. Noon (Pacific Time) on the Closing Date.

**7.6** Purchaser understands that it may be obligated to obtain from the FCC new site-based and/or radius licenses, as applicable, for the Restaurants.

**8. Conditions Precedent to Closing.** Seller, Purchaser and Shareholders shall use commercially reasonable efforts to timely fulfill those of the following conditions as are its obligation hereunder, and each other party's obligation to perform under this Agreement is expressly subject to and contingent upon fulfillment of each of the following:

**8.1** Each other party's timely performance and compliance with all respective covenants and conditions required by this Agreement to be performed or complied with by it;

**8.2** Payment from readily available funds for any prorations or adjustments as is Seller's, Purchaser's or Shareholders' responsibility herein (it being understood that any such amounts that

are Seller's responsibility hereunder may be paid, at the election of Seller, from the proceeds of the Purchase Price and other amounts that are payable to Seller hereunder);

**8.3** Purchaser being as of the Closing Date an approved franchisee of TB Franchisor in accordance with TB Franchisor's policies and procedures.

**8.4** Each of Purchaser and Shareholders having paid any and all amounts due to Seller or its affiliates (including KFC Corporation and Pizza Hut, LLC) and due to TB Franchisor, including without limitation any amounts due under any existing Taco Bell Franchise Agreements with TB Franchisor or its affiliates guaranteed by Purchaser or any Shareholder or to which Purchaser or any Shareholder is a party.

**8.5** Delivery to the Escrow Agent on or before the Closing Date of each and all of the following:

[a. an Assignment and Assumption of Lease for each Lease in the form of **Exhibit "F"** attached hereto;][5]

[b. an executed copy of the Land and Building Lease in the form of **Exhibit "H"** for each of the Fees;][6]

[c. a Deed for each of the Fees in the form of **Exhibit "I"** attached hereto;][7]

d. a Bill of Sale in the form of **Exhibit "C"** attached hereto;

e. Purchaser's certified Shareholders' resolution authorizing the transactions contemplated by this Agreement;

f. Purchaser's certified board resolution authorizing the transactions contemplated by this Agreement;

g. a certificate of Purchaser's good standing as a domestic corporation or a limited liability company, or as a foreign corporation or limited liability company authorized to do business, whichever is applicable, in each state in which one or more of the Restaurants is located and in the state of Purchaser's incorporation, in each case certified by the applicable Secretary of State, no more than thirty (30) days prior to the Closing Date;

h. a General Release substantially in the form of **Exhibit "D"** hereto;

i. an opinion letter from Purchaser's counsel dated as of the Closing Date substantially in the form of **Exhibit "E"** hereto; and

**8.6** Purchaser's reasonable, good faith satisfaction as to the condition of the improvements [and the soils] at each of the Restaurants. If Purchaser or Purchaser's lender requires environmental reports relating to the Real Property, Purchaser shall first obtain Seller's written consent and shall retain a nationally recognized firm designated by Seller, in Seller's sole discretion, to perform such work. In no event shall Purchaser have the right to perform (i) environmental audits or inspections with respect to any Leasehold or (ii) any invasive or destructive audit, testing or investigation, including any

[5] Note: To delete if not relevant.
[6] Note: To delete if not relevant.
[7] Note: To delete if not relevant.

Phase II or asbestos survey on any Real Property. Purchaser, acting reasonably, shall have until [_____] [___], 20___ ("Premises Notice Date"), to notify Seller in writing [(accompanied by the applicable test results)] of any objections Purchaser or its lender have to the condition of the improvements [and the soils] ("Purchaser's Premises Objections"). Seller shall have until the Closing Date to, in its sole and absolute discretion, either (a) agree to remedy some or all of Purchaser's Premises Objections prior to the Closing Date or (b) refuse to remedy such conditions. If Seller refuses to remedy all or some of Purchaser's Premises Objections, Purchaser may either (a) terminate this Agreement or (b) waive such objections and proceed to Closing. Purchaser's Premises Objections not identified in writing on or before the Premises Notice Date shall be deemed waived by Purchaser.

**8.7** Purchaser's reasonable, good faith satisfaction as to title matters affecting the Real Properties other than (a) liens for current *ad valorem* and personal property taxes not yet due and payable and (b) defects and irregularities in title or encumbrances which are not material to the operation of a Taco Bell Restaurant on such premises. Purchaser, acting reasonably, shall have until [_____] [___], 20___ ("Title Notice Date") to notify Seller in writing of any objections Purchaser or its lender have to the condition of title and surveys ("Purchaser's Title Objections"). Seller shall have until the Closing Date to, in its sole and absolute discretion, either (a) agree to remedy all or some of Purchaser's Title Objections prior to the Closing Date or (b) refuse to remedy such conditions. If Seller refuses to remedy all or some of Purchaser's Title Objections, Purchaser may either (a) terminate this Agreement or (b) waive such objections and proceed to Closing. Purchaser's Title Objections not identified in writing on or before the Title Notice Date shall be deemed waived by Purchaser.

**8.8** Purchaser's compliance, at its sole cost and expense, with the provisions of the Hart-Scott--Rodino Act, Section 7A of the Clayton Act, 15 U.S.C. Section 18a ("HSR Act"). If Purchaser contends Purchaser is exempt from the provisions of the HSR Act, then Seller may demand an opinion of Purchaser's outside counsel to such effect if Seller has a reasonable basis to believe that Purchaser's exemption status requires verification, and Purchaser shall provide such opinion at or prior to the Closing.

**8.9** Each party, as to the other parties, hereby waives any obligation to comply with the requirements of the bulk transfer or bulk sales laws of any jurisdiction applicable to the transactions contemplated herein.

**9. Representations and Warranties of Seller.** To induce Purchaser and Shareholders to enter into this Agreement, Seller hereby warrants and represents to Purchaser and Shareholders as of the date hereof and as of the Closing Date:

**9.1** Seller is a duly formed and validly existing [limited liability company][corporation] incorporated in the State of [Delaware][California], in good standing and has full power and authority to execute, deliver and perform this Agreement, and this Agreement and all other documents and instruments executed and delivered by Seller pursuant to this Agreement are the legal and binding obligation of Seller and are enforceable against Seller in accordance with their terms.

**9.2** Seller (either directly or through an affiliate) owns and operates the businesses at the Restaurants; and to the best of its current actual knowledge (a) Seller (either directly or through an

affiliate) has good and marketable title to the Assets except for any matters of record or conditions which are apparent from an inspection of the property; (b) Seller (or an affiliate) is in possession of the Restaurants; and (c) there are no existing tenancies, leases or subleases on any of the Real Properties, except as expressly provided herein to be transferred to Purchaser pursuant hereto.

**9.3** To Seller's current actual knowledge, neither Seller nor any affiliate has assigned, sublet, created, granted or transferred any Leasehold or other interest or estate of any nature or term to any party which will interfere with the transfer or lease of any Fee or Leasehold to Purchaser or Purchaser's possession or use of same as contemplated herein.

**9.4** To Seller's current actual knowledge, each Lease is in full force and effect, the rent and all amounts due thereunder are paid current, and the tenant thereunder is not in material default under any of the terms of any Lease.

**9.5** Seller does not make any warranty as to the condition of the Assets, except as expressly provided in this Section 9, including without limitation any warranty as to merchantability or fitness of the Equipment or other personal property. Except as expressly provided in this Section 9, Purchaser and Shareholders acknowledge that Purchaser is acquiring the Assets in **"AS IS"** condition, without any warranty express or implied.

**9.6** Seller is not a foreign corporation within the meaning of Section 1445 of the Internal Revenue Code, and, therefore, no withholding of tax is required by Purchaser upon the transfer of the Real Properties. Seller's taxpayer identification number is 95-2213656, and Seller's business address is 1 Glen Bell Way, Irvine, California 92618.

**10. Covenants of Seller.** Between the date hereof and the Closing Date Seller (directly or through an affiliate) shall:

**10.1** Except as provided herein, carry on business at the Restaurants in substantially the same manner as heretofore conducted;

**10.2** Maintain the Assets in their current condition in all material respects, subject to ordinary wear and tear; and

**10.3** Pay, discharge and be solely responsible for all obligations incurred in connection with the operation of the Restaurants through the Closing Date.

**11. Representations and Warranties of Purchaser and Shareholders; Post-Closing Covenants of Purchaser and Shareholders.** Each of Purchaser and Shareholders hereby represents and warrants to Seller as of the date hereof and as of the Closing Date the matters set forth in Sections 11.1 and 11.2 below, and after the Closing Date Purchaser shall (and Shareholders shall cause Purchaser to) comply with the covenants set forth in Sections 11.3 and 11.4 below.

**11.1** Purchaser is a duly formed and validly existing [limited liability company][corporation] incorporated in the State of [_____], in good standing. Purchaser and each Shareholder have full power and authority to execute, deliver and perform this Agreement. This Agreement and all other documents and instruments executed and delivered by Purchaser and

Shareholders pursuant to this Agreement are the legal and binding obligation of Purchaser and each Shareholder and are enforceable against Purchaser and each Shareholder in accordance with their terms.

**11.2** Except for the express representations made in the FDD issued by TB Franchisor, and herein, neither Seller, anyone acting on behalf of Seller, TB Franchisor, nor anyone acting on behalf of TB Franchisor has made any representation or warranty to Purchaser or any Shareholder with respect to any of the Restaurants, or their condition, or any business conducted or to be conducted thereon; and Purchaser's and Shareholders' execution and delivery of this Agreement, their consummation of the transactions hereby contemplated, and their fulfillment of the terms hereof, will not violate any material provision or result in the material breach of any term or provision of, or constitute a material breach under, or materially conflict with, or cause the acceleration of any obligation under, any material agreement or contract to which Purchaser or any Shareholder is a party or by which Purchaser or any Shareholder is or may be bound, or any judgment, decree, order or award of any court or governmental body, or any applicable law, rule or regulation.

**11.3** Purchaser agrees that for a period of three (3) years from the Closing Date, it will not refinance or restructure its debt or equity that results in Shareholders' equity in Purchaser comprising less than 20% of the sum of the Purchase Price and all closing costs and other costs paid by Purchaser in connection with the purchase of the Restaurants. Notwithstanding the foregoing, Purchaser is expressly prohibited from entering into any sale-leaseback arrangement (a "Sale-Leaseback Transaction") involving the sale and transfer of title in and to the Restaurants and/or all or substantially all of the Operations Assets (the "Offered Assets") for a period of five (5) years from the Closing Date, after which period any such proposed Sale-Leaseback Transaction shall be subject to the terms and conditions as further provided on Schedule 11.4 to this Agreement. Additionally, Purchaser agrees at all times to submit to TB Franchisor or its designee the terms of any refinance transaction or Sale-Leaseback Transaction (after the end of such five (5) year period) that Purchaser proposes to undertake. As a condition to any Sale-Leaseback Transaction (after the end of such five (5) year period), Purchaser shall deliver to TB Franchisor or its designee for its review all pertinent documentation related to the proposed Sale-Leaseback Transaction, including, but not limited to, purchase agreements and lease forms, all of which shall fully comply with the conditions set forth on Schedule 11.4, and Purchaser shall obtain TB Franchisor's or TB Franchisor's designee's prior written consent, which shall not be unreasonably withheld or conditioned, to the terms and conditions and documents in connection with such Sale-Leaseback Transaction. The parties agree that it shall not be unreasonable for TB Franchisor or TB Franchisor's designee to withhold consent if any such Sale-Leaseback Transaction does not fully comply with the supplemental operational and financial conditions set forth on Schedule 11.4, or if the proposed Sale-Leaseback Transaction would result in a reduction of Purchaser's equity below 20% of the Purchase Price, including without limitation all closing costs and other costs, or indebtedness incurred by Purchaser in connection with the purchase of the Restaurants. The foregoing provisions in this Section 11.3 shall be included in the Bill of Sale [and the Deed].

**11.4** Purchaser agrees to comply with the operational and financial conditions set forth on Schedule 11.4 hereto, which include by way of example conditions applicable to all current or future sale/leaseback transactions involving any of the Restaurants or any other YUM! Brands, Inc., a North Carolina corporation ("YUM! Brands") restaurant concepts or businesses that Purchaser or its affiliates may now or hereafter own, operate or otherwise be involved in. Any such failure by Purchaser to satisfy the conditions set forth on Schedule 11.4 shall constitute a breach by Purchaser under the Taco Bell Franchise Agreements for all the Restaurants.

**11.5** Subject to the terms and conditions set forth in Section 38, Purchaser hereby covenants and agrees that for a five (5) year period from and after the Closing Date, without the prior written consent of Seller, which consent may be withheld by Seller in Seller's sole and absolute discretion, Purchaser will not (A) transfer any of the Restaurants, or cause or permit any of its affiliates to transfer any of the Restaurants controlled by any such affiliate, to any person or entity, or (B) permit the direct or indirect transfer of any interest in the Purchaser, or any affiliate of the Purchaser that owns an interest (directly or indirectly) in any of the Restaurants.

**12. Survival of Representations, Warranties and Covenants.** All representations and warranties made by each party shall survive the Closing for the benefit of the other parties hereto but only until the first anniversary of the Closing Date, except for: (i) the Upgrade Obligations set forth in Section 2.2 and Schedule 2.2 attached hereto, which shall remain in effect until completed, (ii) the restrictions on sale-leaseback as provided in Section 11.3 which shall remain in effect until the third (3rd) anniversary after the Closing Date, and (iii) the prohibitions on transfer of the Restaurants and right of first offer as provided in Section 11.5, which shall remain in effect until the fifth (5th) anniversary after the Closing Date. All covenants that describe actions that are required to be taken (or not taken) prior to or at the Closing shall survive the Closing for the benefit of the other parties hereto but only until the first (1st) anniversary of the Closing Date, and all covenants that describe actions that are required to be taken (or not taken) after the Closing shall survive until the later to occur of (i) the first (1st) anniversary of the Closing Date; (ii) such longer period of time as provided herein for Purchaser's performance of such actions or as provided in the applicable governing agreement for the performance thereof, or (iii) for such longer period to perform such actions as the parties may mutually agree in writing extending the time for performance thereof.

**13. Fire or Other Casualty.** In the event of destruction or material loss or damage to a Restaurant building due to fire, storm, flood or other casualty prior to the Closing Date, Seller (directly or through an affiliate) shall promptly repair or replace such building prior to the Closing Date or, at Seller's election, it may at the Closing pay to Purchaser the amount reasonably necessary to effect such repair or replacement.

**14. Prorations/Change of Ownership Transition.** The following charges shall be prorated as of the Closing Date, with Seller (or its applicable affiliate) being responsible for all liabilities and charges relating to the possession or operation of the Restaurants on or prior to the Closing Date and Purchaser being responsible for paying all such liabilities and charges after the Closing Date. All such adjustment payments shall be deemed an adjustment to the Purchase Price.

(a) Personal property taxes accruing for the year in which the Closing occurs;

(b) Real property taxes accruing during the year in which the Closing occurs pertaining to the Fees and those which are the lessee's obligation under each Lease;

(c) Rent (including, but not limited, to percentage rent) and common area maintenance, insurance and other charges under each Lease; and

(d) All telephone and utility charges and similar obligations relating to the operation of the Restaurants.

To the extent such amounts may be based on an estimate rather than actual statements or invoices and later proved to be inaccurate, payment shall be made within thirty (30) days after the statement or invoices as may be necessary to allocate all such obligations in accordance herewith have been received.

**15. Seller's Employees.** Each individual employed in a non-exempt status at the Restaurants will have his or her employment, wages and benefits terminated by Seller (directly or through an affiliate) effective as of the close of business on the Closing Date and be fully compensated with all monetary and other benefits accrued by him or her up to the date of such termination. Seller (or the applicable affiliate) shall be solely liable and responsible for all accrued salary, vacation, severance and other compensation payable up to the Closing Date. Seller makes no warranty express or implied with respect to the qualifications or character of any such individual at the Restaurants. Purchaser shall tender employment (at will or otherwise) to each of such individuals employed in a non-exempt status at the Restaurants, such employment to commence immediately after the Closing on terms mutually satisfactory to Purchaser and the respective employee; provided, however, that in the event Purchaser in its reasonable discretion determines that one or more of such individuals is not qualified for hire by Purchaser, Purchaser shall in no way be obligated to tender employment to the same, and Purchaser shall immediately (and in any event prior to the Closing) inform Seller of the name of each such individual and the basis for Purchaser's determination. Purchaser shall not terminate, except for cause, the employment of any such individual employed by Purchaser or its affiliate as of immediately after the Closing if such termination could result in WARN Act liability to Seller, and Purchaser shall be fully liable (and shall promptly indemnify Seller and its affiliates) for any liabilities resulting from any action taken (or not taken) by Purchaser or its affiliates post-Closing with respect to any such individuals, including without limitation under the WARN Act and similar state and local laws.

**16. Indemnification by Seller.** Seller shall indemnify, defend and hold harmless Purchaser and Shareholders for, by, from, against and in respect of: (a) any claim, liability, obligation, loss, damage, cost or expense arising from the acts or omissions of Seller arising from the ownership, use, possession or operation (but not the condition) of the Assets or of the Restaurants by Seller prior to the Closing; (b) any damage or deficiency resulting from any misrepresentation, breach of warranty or non-fulfillment of any covenant or agreement on the part of Seller under this Agreement or from any misrepresentation in or omission from any instrument of Seller furnished to Purchaser or Shareholders pursuant to this Agreement; and (c) all reasonable expenses and costs, including arbitration and court costs and reasonable attorneys' fees, incident to the defense against any of the foregoing. This covenant by Seller to indemnify, defend

and hold harmless Purchaser and Shareholders shall survive the Closing. Notwithstanding the foregoing, this indemnity shall not apply to any claim, liability, obligation, loss, damage, cost or expense arising from any condition of the Assets or Restaurants not expressly warranted in Section 9 above (including, without limitation, any such claim, liability, obligation, loss, damage, cost or expense relating to any environmental matter with respect to any of the Assets or Restaurants).

**17. Indemnification by Purchaser and Shareholders.** Purchaser and Shareholders shall jointly and severally indemnify, defend and hold harmless Seller and TB Franchisor for, by, from, against and in respect of: (a) any claim, liability, obligation, loss, damage, cost or expense arising from Purchaser's ownership, use, possession or operation of the Assets or of the Restaurants after the Closing Date, including without limitation acts or omissions of Seller's employees working in the Restaurants after the Closing Date; (b) any damage or deficiency resulting from any misrepresentation, breach of warranty or non-fulfillment of any covenant or agreement on the part of Purchaser or any Shareholder under this Agreement or from any misrepresentation in or omission from any instrument of Purchaser or any Shareholder furnished to Seller or TB Franchisor pursuant to this Agreement; and (c) all reasonable expenses and costs, including arbitration and court costs and reasonable attorneys' fees, incident to the defense of any of the foregoing. This covenant by Purchaser and each Shareholder to indemnify, defend and hold harmless Seller and TB Franchisor shall survive the Closing.

**18. Default and Remedies.**

**18.1** Subject to Section 32 below on Dispute Resolution, should this Agreement fail to close on or prior to the Closing Date by reason of a breach or default by any party, each non-breaching party may pursue any and all remedies provided by law; provided, however, that the damages recoverable by Seller shall be limited to the liquidated damages set forth below. If Seller is unable through commercially reasonable efforts to deliver the Restaurants in the condition provided for in this Agreement at Closing or is unable to obtain any necessary consents required by any Lease, then Purchaser's and Shareholders' only remedy shall be to declare this Agreement null and void. If the Closing has not occurred on or before [_____] [___], 20___ then either party, so long as it is not then in material breach of its obligations hereunder, may terminate this Agreement and all of its obligations hereunder, without waiver of any of its remedies for breach, if any, by any of the other parties hereto.

**LIQUIDATED DAMAGES.** EACH OF PURCHASER, SHAREHOLDERS, AND SELLER HEREBY ACKNOWLEDGES AND AGREES THAT IT WOULD BE DIFFICULT TO MEASURE AGGREGATE DAMAGES IN THE EVENT OF A BREACH HEREOF BY SELLER, PURCHASER OR ANY SHAREHOLDER AND THIS AGREEMENT'S CONSEQUENT TERMINATION PRIOR TO THE CLOSING, BUT THAT A FAIR AND REASONABLE ESTIMATE OF SUCH DAMAGES IS TEN PERCENT (10%) OF THE PURCHASE PRICE, WHICH IN NO WAY REPRESENTS A PENALTY OF ANY SORT. THEREFORE, THE PARTIES HEREBY AGREE THAT IN THE EVENT OF TERMINATION OF THIS AGREEMENT FOR SELLER'S, PURCHASER'S OR ANY SHAREHOLDER'S MATERIAL BREACH OF THIS AGREEMENT PRIOR TO THE CLOSING, SELLER AND PURCHASER SHALL BE ENTITLED TO RECOVER AS LIQUIDATED DAMAGES A SUM EQUAL TO TEN PERCENT (10%) OF THE PURCHASE

PRICE IN AGGREGATE FROM THE BREACHING PARTY (PURCHASER AND SHAREHOLDERS SHALL BE JOINTLY AND SEVERALLY LIABLE), PLUS ALL REASONABLE COSTS INCURRED IN COLLECTION OF SUCH AMOUNT.

**INITIALS:**

**PURCHASER:** ____ **SHAREHOLDERS:** _____

**SELLER:** ____

ADDITIONALLY, EACH OF PURCHASER, SHAREHOLDERS, AND SELLER HEREBY ACKNOWLEDGES AND AGREES THAT THE PURCHASE PRICE HAS BEEN REDUCED IN CONSIDERATION OF PURCHASER'S AGREEMENT AND OBLIGATION TO UPGRADE CERTAIN OF THE RESTAURANTS AT PURCHASER'S COST IN ACCORDANCE WITH THE TERMS OF SECTION 2.2 HEREOF. EACH OF PURCHASER, SHAREHOLDERS, AND SELLER HEREBY FURTHER ACKNOWLEDGES AND AGREES THAT IT WOULD BE DIFFICULT TO MEASURE DAMAGES IN THE EVENT OF A BREACH HEREOF BY PURCHASER OR ANY SHAREHOLDER OF ITS UPGRADE OBLIGATIONS, BUT THAT A FAIR AND REASONABLE ESTIMATE OF SUCH DAMAGES, PER RESTAURANT, IS LISTED BELOW (THE "LIQUIDATED DAMAGES"), WHICH IN NO WAY REPRESENTS A PENALTY OF ANY SORT:[8]

| UNIT NO. | LIQUIDATED DAMAGES |
|---|---|
| [_____] | [$500,000.00] |
| [_____] | [$500,000.00] |
| [_____] | [$500,000.00] |

THEREFORE, THE PARTIES HEREBY AGREE THAT IN THE EVENT OF PURCHASER'S FAILURE TO COMPLETE ONE OR MORE OF ITS UPGRADE OBLIGATIONS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 2.2 OF THIS AGREEMENT, SELLER SHALL BE ENTITLED TO RECOVER AS LIQUIDATED DAMAGES A SUM EQUAL TO THE RESPECTIVE RESTAURANT'S LIQUIDATED DAMAGES, PLUS ALL OF SELLER'S REASONABLE COSTS INCURRED IN COLLECTION OF SUCH AMOUNT(S).

**INITIALS:**

**PURCHASER:** ____ **SHAREHOLDERS:** _____

**SELLER:** ____

[8] Note: If there are no Upgrade Obligations, include "N/A" below.

**19. Broker's Fees.** Each party hereby represents and warrants to the other parties that the warranting party has not incurred any obligation to compensate any broker or any other party for any commission, finder's fee, broker's fee or other similar fee as a result of any of the transactions contemplated herein. Purchaser and Shareholders shall jointly and severally indemnify, defend and hold harmless Seller from and against any and all claims, losses, liabilities, or expenses which may be asserted against Seller or any of its affiliates by any finder, broker, or other person claiming any fee or commission by reason of services alleged to have been rendered for or at the instance of Purchaser or Shareholders or any of them in respect to the transactions contemplated by this Agreement. Likewise, Seller shall indemnify, defend and hold harmless Purchaser and Shareholders from and against any and all claims, losses, liabilities, or expenses which may be asserted against Purchaser or Shareholders or any of them by any finder, broker or other person claiming any fee or commission by reason of services alleged to have been rendered for or at the instance of Seller in respect to the transactions contemplated by this Agreement.

**20. Notices.** All notices to be given hereunder shall be in writing and shall be deemed given when first received or tendered during normal business hours for the locale of the addressee at the appropriate address set forth below, or such other address as one party may hereafter provide to the other with not less than three (3) business days' notice.

| **If to Seller or TB Franchisor:** | **If to Purchaser or Shareholders:** |
|---|---|
| **[SELLER]** | **[PURCHASER]** |
| **1 Glen Bell Way** | [_____] |
| **Irvine, California 92618** | [_____] |
| **Attn: General Counsel** | **Attn:** [_____] |

**21. Waiver.** No waiver by any party of any breach or default shall be deemed a waiver of any subsequent or other breach or default. Except as otherwise provided herein, a party to this Agreement may waive a provision of this Agreement only by written notice to the other parties.

**22. Captions.** Captions and paragraph headings used herein are for convenience only and shall not be deemed relevant in construing this Agreement.

**23. Gender.** Whenever any word is used in this Agreement in one gender, it shall also be construed as being used in the other genders, and singular usage shall include the plural and vice versa, all as the context shall require.

**24. Exhibits.** All exhibits and schedules expressly referenced herein are hereby incorporated by reference into and made a part of this Agreement.

**25. Counterparts.** This Agreement may be executed in any number of counterparts; each such counterpart, when executed by all parties, shall be deemed to constitute one and the same instrument and shall be deemed an original hereof.

**26. Severability.** If any provision of this Agreement is declared void or unenforceable, such provision shall be deemed deleted from this Agreement, the remaining portions of this Agreement shall remain in full force and effect and the deleted portion shall be replaced with valid and enforceable language which in the arbiter's judgment most closely reflects the parties' original intent.

**27. Costs and Expenses.** Each party shall pay its own legal fees and costs incurred in connection with the negotiation, preparation and consummation of this Agreement.

**28. Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors in interest and assigns. This Agreement shall not, however, be assignable or transferable in whole or in part, by any party hereto except upon the express prior written consent of the other parties, except that each of Seller and TB Franchisor may assign its interest in this Agreement to any of its affiliates, so long as such assignment does not relieve the assignor of any of its liabilities to Purchaser or Shareholders. Nothing contained in this Agreement is intended to confer upon any person, other than the parties hereto and their respective heirs, successors and permitted assigns, any rights, remedies or obligations under, or by reason of this Agreement.

**29. Additional Acts and Documents.** Each party hereto shall do all such things and take all such actions to make, execute and deliver such other documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.

**30. Time.** Time is of the essence in respect of this Agreement and each and every provision hereof.

**31. Governing Law.** This Agreement shall be deemed to be made under, construed in accordance with, and governed by, the laws of the state of New York, but without regard to its choice of law provisions.

**32. Dispute Resolution.** For purposes of this Section only, Purchaser shall be deemed the exclusive authorized agent of, with full authority to bind and act on behalf of Shareholders and each of them, and on its own behalf. The parties shall attempt to resolve and settle by direct, private negotiation any claim, controversy or dispute (each, a "Dispute") that arises under or in relation to this Agreement. If Seller and Purchaser cannot resolve and settle a Dispute by private negotiation within ten (10) business days after one party gives the other written notice that a Dispute exists, either may demand in writing that the Dispute be submitted to non-binding mediation as follows:

**32.1** Mediation shall occur in Orange County, California, before a single mediator, using facilities and mediation rules of the National Franchise Mediation Program, a dispute resolution process for franchising administered under the auspices of CPR Legal Program, Inc. ("CPR").

**32.2** Within five (5) business days after receipt of such demand, Seller and Purchaser shall jointly request CPR to nominate three (3) available, qualified mediators to Seller and Purchaser. To be qualified, a mediator must have experience with business format franchising and have no prior business or professional relationship with either party, other than as mediator. To be available, a mediator must be generally available to conduct the mediation within the thirty (30) day period following the parties' selection of the mediator. Within five (5) business days after receiving the list of nominees, each of Seller and Purchaser shall inform CPR in confidence of such party's first choice of mediator. If both Seller and Purchaser choose the same nominee, such nominee shall be the mediator. If Seller and Purchaser choose different nominees, the nominee not selected by either party shall be the mediator.

**32.3** The parties shall share the mediation filing fee and neutral costs of the mediation equally, but shall bear separately all other costs (including but not limited to their respective attorneys' fees, travel costs, etc.) Each of Seller and Purchaser shall send at least one (1) representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of its respective principal(s). Seller and Purchaser and the mediator shall sign an agreement committing each of them to keep the outcome and proceeding of the mediation confidential, except as required by law.

**32.4** If either Seller or Purchaser fails or refuses to participate in mediation in accordance with this Section, the other shall be entitled to immediately file suit or otherwise enforce its rights.

**32.5** In the event any party hereto commences any litigation against any other party hereto concerning this Agreement, the prevailing party shall be entitled to recover its attorneys' fees, costs and expenses, including without limitation expert fees, reasonably incurred by such party in the litigation.

With respect to any court proceeding between Purchaser and Seller concerning the enforcement, construction or alleged breach or termination of this Agreement, or any other claim arising out of or related to this Agreement, Purchaser and each Shareholder hereby submits to the personal jurisdiction and venue of the federal and California state courts located in Orange County, California, for all such matters, and shall not commence against Seller any court proceeding concerning such matters in any other courts.

**33. Entire Agreement.** This Agreement, together with the ancillary documents expressly referenced herein, represents the entire agreement of the parties with respect to the purchase and sale described herein, and all agreements pertaining to such purchase and sale entered into prior hereto are revoked and superseded by this Agreement. No representations, warranties, inducements or oral agreements with respect thereto have been made by any of the parties except as expressly set forth herein, in other contemporaneous written agreements, or in the FDD furnished by TB Franchisor. Except as expressly provided otherwise herein, this Agreement may not be changed, modified or rescinded except in writing, signed by all parties hereto, and any attempt at oral modifications of this Agreement shall be void and of no effect.

**34. Guaranty.** Each of the Shareholders hereby jointly and severally guarantees the full and timely performance of all of Purchaser's and each other's obligations herein.

**35. Confidentiality and Press Releases.** Except as required by law or applicable listing requirements, each party hereto shall keep all of the terms and provisions of this Agreement in strictest confidence for five (5) years, or until every party has expressly agreed otherwise, provided that nothing in this Section 35 shall prevent either party from sharing this Agreement with its affiliates, accountants, legal representatives and other persons who have a reasonable need to know the terms and provisions of this Agreement and agree in writing to keep such matters confidential as if they were a party to this Section 35. No party shall issue or participate in any press release that contains any specific information pertaining to this transaction (including, without limitation, the Purchase Price) unless every other party hereto has expressly agreed in writing to such press release.

**36. Approval by Management.** Seller's obligations hereunder and the terms of Purchaser's financing pursuant to Section 37 are subject to written approval by senior management of Seller and YUM! Brands. If such senior management does not approve the proposed transaction or such financing, Seller may terminate this Agreement (and all of its obligations hereunder) by delivering written notice thereof to Purchaser.

**37. Financing.** Purchaser and Shareholders shall use commercially reasonable efforts to obtain financing to facilitate their purchase of the Assets; provided that Purchaser and Shareholders may not seek or obtain financing in excess of eighty percent (80%) of the Purchase Price plus all closing costs borne by Purchaser and Shareholders, the remainder being deemed equity. Neither Purchaser nor Shareholders shall borrow funds to meet the equity requirement set forth herein, it being understood that Purchaser and Shareholders shall borrow funds from its lender or otherwise only as disclosed in documents submitted to Seller and to TB Franchisor or its designated manager for financial approval by Seller and TB Franchisor or its designated manager for the transactions contemplated herein. Purchaser further agrees that it will not, during the first three (3) years following Closing, without the prior written consent of TB Franchisor or its designated manager, which shall not be unreasonably withheld, refinance or restructure any portion of Purchaser's debt or equity assumed or contributed in connection with the transactions contemplated hereby. The parties agree that it shall not be unreasonable for TB Franchisor or its designated manager to withhold its consent if such refinancing or restructuring would result in a reduction of equity below the minimum level required by this Section 37.

**38. Prohibition on Transfers; Right of First Offer**.

**38.1** Purchaser hereby agrees and covenants that for a five (5) year period from and after the Closing Date, without the prior written consent of Seller, which consent may be withheld by Seller in Seller's sole and absolute discretion, Purchaser will not (A) transfer any of the Offered Assets (as such term is defined in Section 11.3 herein) owned by Purchaser, or cause or permit any of its affiliates to transfer any of the Offered Assets controlled by any such affiliate, to any person or entity, or (B) permit the direct or indirect transfer of any interest in the Purchaser, or any affiliate of the Purchaser that owns an interest (directly or indirectly) in any of the Offered Assets, or (C) engage in any Sale-Leaseback Transaction involving the Offered Assets.

**38.2** Purchaser hereby also agrees and covenants that during the five (5) year period from and after the Closing Date, if Purchaser intends to sell or otherwise transfer of any or all of the Offered Assets (a "Resale"), Purchaser must offer in writing to Seller any or all Offered Assets that Purchaser purchased under this Agreement for the price paid by Purchaser under this Agreement without any adjustment before proposing any sale or transfer of any or all of the Offered Assets acquired under this Agreement to any third-party or affiliate of Purchaser (the "Right of First Offer"). Seller shall have a commercially reasonable period of time, not to exceed thirty (30) days, to evaluate such offer to sell any or all of the Offered Assets and inspect the same and to either elect to purchase such Offered Assets or waive such Right of First Offer in writing. If Seller fails to exercise such right to purchase such Offered Assets as identified in writing from Purchaser within said thirty (30) days, Purchaser may proceed to sell such Offered

Assets to a third-party but at a sale price not less than that as contained in the notice and offer to sell provided to Seller. If Seller does not exercise its right to purchase the Offered Assets and Purchaser proceeds to sell such Offered Assets at any time during the five (5) year period from and after the Closing Date to any third-party in a bona fide transfer for at least full fair market value, Purchaser (or the successor in interest to Purchaser at such time) shall pay to Seller an amount equal to one-half (½) of the difference between the Resale purchase price for such Offered Assets and the Purchase Price allocated to such Offered Assets as identified on Schedule 2 attached hereto. Further, any waiver or election by Seller not to exercise such right to purchase such Offered Assets shall not waive, nor be deemed to be a waiver of, Seller's rights hereunder, which shall continue through said five (5) year period with respect to any subsequent offers to sell any or all of the Offered Assets. The foregoing provisions in this Section 38 shall be included in the Bill of Sale [and the Deed].

**39. 1031 Exchange**. Purchaser agrees to cooperate with Seller in Seller's effecting a tax-deferred exchange under Internal Revenue Code Section 1031. Seller shall have the right, expressly reserved here, to elect this tax-deferred exchange at any time before the Closing Date, and further, Purchaser and Seller agree that the consummation of this Agreement is contingent on the exchange being effected if Seller so elects. If Seller elects to effect a tax-deferred exchange, Purchaser agrees to execute such additional escrow instructions, documents, agreements or instruments reasonably required to effect the exchange.

**40. Pre-Ordered Merchandise**. Purchaser and Shareholders acknowledge that Seller has, or may have, ordered prior to the Closing Date certain merchandise and promotional materials for the Restaurants, which merchandise and promotional materials are to be delivered and paid for after the Closing Date. Purchaser agrees to accept and pay for such merchandise and promotional materials in the quantities, for the prices and otherwise on the same terms and conditions as agreed to by Seller with such vendors, and hereby assumes all obligations of Seller and its affiliates with regard thereto.

**41**. **New Development**. TB Franchisor or its affiliates have identified one or more territories ("Territories") that have potential for development of one or more new Taco Bell restaurants (each, a "New Development"). With respect to any such Territories, TB Franchisor and Purchaser agree to enter into a Market Build Out Agreement at or prior to the Closing in the form substantially similar to that attached hereto as **Exhibit "G"**, pursuant to which Purchaser will develop [___] new Taco Bell restaurants within the Territories. The timelines for completion, and other requirements related to each New Development, are set forth on Schedule 41 attached hereto.

**42. Waiver of Captive Mall Development.** Purchaser acknowledges and agrees that it has no right to object to the development of any Express unit owned, franchised or licensed by Seller, TB Franchisor or any of their affiliates to be located in the mall locations, if any, listed below (each a "Captive Express Development"). Purchaser waives any impact protection relating to the Captive Express Development under Seller's, TB Franchisor's or any of their affiliates' then-current Integrated Expansion

and TBx Development Policy. Purchaser agrees to execute and deliver a waiver of all claims and rights related to the below locations (if any) at Closing and at any time after Closing upon request from Seller.

| DMA Name | Mall Name | Mall Location |
|---|---|---|
| | | |

**43. Single Integrated Transaction.** Notwithstanding any provision in this Agreement or in any other agreement between or among them, Purchaser, Seller and Shareholders severally and collectively intend, acknowledge and agree that this Agreement and each and every agreement, instrument and contract referenced in this Agreement or executed or delivered in connection with or pursuant to this Agreement or in connection with or to effect the purchase and sale contemplated herein (collectively, the "Integrated Agreements") do and shall be deemed to constitute one single, integrated transaction and agreement. Without limiting the foregoing, the parties further acknowledge and agree as follows:

**43.1** Without limitation, the parties intend and agree that the Integrated Agreements shall include the following and they shall not be severed or severable from one another for any purpose: (i) this Agreement and all exhibits and schedules referenced herein or attached hereto, including all exhibits and schedules listed on the "List of Exhibits and Schedules" attached hereto; (ii) the Taco Bell Franchise Agreements, as defined herein, and all exhibits, schedules and attachments thereto, as well as any other franchise agreement(s) governing the operations of the Restaurants, including all Upgrade Obligations; and (iii) the Real Property Leases, Assignment and Assumption of Leases and any sublease.

**43.2** The parties intend and agree that the Integrated Agreements shall constitute one single, integrated transaction and agreement, notwithstanding the fact that: (i) the Integrated Agreements may be executed at different times by different parties; (ii) different consideration may be apportioned among the Integrated Agreements; (iii) the Integrated Agreements may provide that they are assignable; and (iv) the Integrated Agreements may have terms or durations of varying lengths, including with respect to the Taco Bell Franchise Agreements and the Real Property Leases.

**43.3** Purchaser and Shareholders, if any, acknowledge and agree that Seller would not have entered into this Agreement or any of the Integrated Agreements absent Purchasers' execution of and performance under all of the Integrated Agreements, including the Taco Bell Franchise Agreements, the Real Property Leases, the Assignment and Assumption of Leases and the subleases.

**44. BOH System.** Purchaser acknowledges and agrees that it will participate in the e-Restaurant program (or at Seller's option, another back-of-house system sponsored by Seller or any of its affiliates) (the "BOH System") rolled out by Seller or any of its affiliates. Purchaser shall be required to use and maintain the BOH System at each of the Restaurants for at least twenty-four (24) months after the Closing. In the event that Purchaser fails to maintain the BOH System in all of the Restaurants included in this Agreement, Purchaser shall be subject to a penalty in the amount of $60,000.00, without deduction or set-off for any number of installations or partial compliance, which amount in whole represents both a penalty and liquidated damages to Seller for such non-compliance. Further, such non-compliance shall

constitute a default under each of the Taco Bell Franchise Agreements with respect to the Restaurants, without regard to any partial compliance at the respective Restaurant. As additional consideration for the agreements, obligations, and duties under this Agreement, and to the extent reasonably required by Seller, Purchaser and/or Shareholders agree to execute and deliver to Seller at Closing those certain separate letter agreements or amendments to this Agreement or any of the Taco Bell Franchise Agreements as may be required to expand upon the terms, conditions and agreements of the provisions set forth in this Section 44. The provisions in this Section 44 and any such letter agreement itself will each survive the Closing.

**45. New Construction in Process.** Each new unit construction in-process project store (each, a "CIP Store"), as set forth below, is currently under development by Seller. Purchaser will be required to pay an initial franchise fee for each CIP Store (the "CIP Fee") to Seller at the Closing. After the Closing, Purchaser will reimburse Seller for all Development Costs (as defined below) incurred up to the Closing Date for each CIP Store.

[Purchaser agrees to assume all obligations for the development of the CIP Stores and, after the Closing, Seller will [transfer to Purchaser the deed associated with each CIP Store][convey to purchaser each CIP Store pursuant to an Assignment and Assumption of Lease in the form of **Exhibit "F"**]. Purchaser agrees that each CIP Store must be open no later than the date set out below, provided, however, that if Shareholders and Purchaser are diligently pursuing an opening of the CIP Store, and fail to comply with the date set out below, this shall not constitute a default under Section 18 hereof, nor shall the liquidated damages contemplated thereunder apply as long as the CIP Store is open no later than [INSERT DATE] of the applicable year.][9]

[After the Closing, Seller shall continue the construction-in-process project for each CIP Store. The closing for the CIP Store(s) (the "CIP Closing") shall be deferred until such time that Seller notifies Purchaser that the construction in-process project is completed. The CIP Closing shall occur upon the same terms and conditions as the Closing for the other Restaurants. Upon the occurrence of the CIP Closing, i) Purchaser will reimburse Seller for any and all Development Costs not previously reimbursed to Seller, ii) Purchaser will pay all other Closing costs as otherwise provided for hereunder (including, but not limited to, transfer taxes and the costs associated with title insurance, if any), and iii) Seller will [transfer to Purchaser the deed associated with each CIP Store][convey to purchaser each CIP Store pursuant to an Assignment and Assumption of Lease in the form of **Exhibit "F"**].][10]

As used herein, "Development Costs" shall mean the aggregate of all out-of-pocket costs of Seller or any of its affiliates incurred in connection with any or all of the lease or fee property purchase negotiations, including, as applicable, costs associated with the design, engineering, permitting, construction, connection and finishing of any or all of the property, appurtenances to the property, site work, materials, building improvements, landscaping, equipment, signage, utilities and warranting of, at, on or

[9] Note: To incorporate if Purchaser is to complete CIP Store(s) after Closing.
[10] Note: To incorporate if Seller is to complete CIP Store(s) after Closing.

connected with the development of each CIP Store, whether for tangible or intangible real or personal property or services (such as architectural, engineering, legal, etc.) or otherwise.

| Store Number | Address | City | State | Estimated Completion Date | Estimated Completion Costs |
|---|---|---|---|---|---|
| | | | | | |

*[Signature page follows]*

**IN WITNESS WHEREOF**, the parties hereto through their duly authorized signatories have caused this Agreement to be executed and delivered as of the date first above written.

**PURCHASER:**

_____

**a** _____

**By:** _____
**Name:** _____
**Its:** _____

**SELLER:**

_____

**a** _____

**By:** _____
**Name:** _____
**Its:** _____

**SHAREHOLDERS:**

_____
**Name:**

_____
**Name:**

**TB FRANCHISOR:**

Taco Bell Franchisor, LLC, by signing below through its duly authorized signatory, acknowledges and agrees solely to the following specifically enumerated provisions of this Agreement with respect to duties or obligations incurred as a franchisor: the Preamble; Recital H; and Sections 1, 2.1, 2.2, 6.1, 11.2, 11.3, 11.4, 20, 28, 33, 37, 38 and 41, and incurs no liability or responsibility in connection with any of the other provisions herein.

**TACO BELL FRANCHISOR, LLC**

**a Delaware limited liability company**

**BY: Taco Bell Corp., as its Manager**

**By:** _____
**Name:** _____
**Its:** _____

**[Signature page to Asset Purchase Agreement]**

# LIST OF EXHIBITS AND SCHEDULES

**EXHIBITS**



**SCHEDULES**



[11] Note: To delete this exhibit if not applicable.
[12] Note: To delete this exhibit if not applicable.
[13] Note: To delete this exhibit if not applicable.

# EXHIBIT “A”

## THE RESTAURANTS

| STORE NUMBER | ADDRESS | TYPE | EXPIRATION DATE |
|---|---|---|---|
| | | | |
| | | | |

# EXHIBIT "B"
# TACO BELL FRANCHISOR, LLC FORM OF FRANCHISE AGREEMENT

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# TACO BELL FRANCHISOR, LLC
# FRANCHISE AGREEMENT

THIS AGREEMENT is made date, by and between TACO BELL FRANCHISOR, LLC, a Delaware limited liability company (the "Company"), and names (the "Franchisee").

## RECITALS

A. The Company is the originator of a distinctive concept for the marketing, preparation and sale of certain Mexican and other style food products (the "TACO BELL RESTAURANTS" or the "Restaurants").

B. The Company owns or controls various trademarks, service marks, trade names, trade dress, designs (including product package designs), symbols, emblems, logos, insignias, external and internal building designs and architectural features and combinations of the foregoing (collectively, the "Trademarks"), which are used by it, its franchisees and its licensees in offering, selling and distributing its products and services. Some of the Trademarks are set forth and described on Appendix 1 to this Agreement.

C. The Company has developed, owns and has adopted for its own use and the use of its franchisees and licensees a unique system of quick service restaurant operation (the "Taco Bell System" or the "System"), consisting of a variety of distinctive sign and facility designs, equipment specifications and layouts, recipes, methods of food presentation and service, business techniques, copyrighted manuals and other materials, trade secrets, know-how and technology.

D. The Company has established, and is continuing to develop and operate, a chain of quick service "Taco Bell" and "Taco Bell Express" restaurants or units which are fundamentally uniform in image and in food style and which share many fundamental menu items and methods of operation (the “Taco Bell Chain").

E. The Taco Bell Chain enjoys widespread public acceptance due in part to (1) uniform high standards for the preparation, presentation and service of Taco Bell food; (2) an essentially uniform menu, image, appearance and methods of operation in all Restaurants and units; (3) uniform use of the System and the valuable and distinctive Trademarks; and (4) the Taco Bell franchisees' and licensees' commitments to maintain and enhance the goodwill and public acceptance of Taco Bell products, services and Restaurants by strict adherence to these uniform standards as they now exist and may be revised from time to time pursuant to this Agreement.

F. The Franchisee, aware of the above, has applied for a franchise and desires to establish and operate a Taco Bell Restaurant upon the terms and conditions set forth in this Agreement.

## WITNESSETH

The parties hereby act and agree as follows:

## SECTION 1: GRANT OF LICENSE

1.0 The Company hereby grants to the Franchisee a limited license to use the Trademarks solely in direct connection with the sale of the food, beverage and other products referred to in Subsection 3.5 from the TACO BELL RESTAURANT to be established pursuant to this Agreement at the following location:

Unit No. unit
address
city state zip
(the "Restaurant")

The grant of this limited license to use the Trademarks is further subject to the terms, conditions and limitations hereinafter set forth; including, among others, those contained in Section 14 entitled "TRADEMARKS."

1 .1 Throughout the Term of this Agreement (as defined below), Franchisee shall operate the Restaurant in strict accordance with the terms of this Agreement and shall perform all other obligations of the Franchisee provided for by this Agreement.

## SECTION 2: TERM

2.0 This Agreement shall continue for a term expiring on _____, unless earlier terminated in accordance with Subsection 5.1 or any of the other conditions and provisions hereof (the "Term"). Upon and after expiration of the Term (a) the Franchisee shall have no expectation or right to continue, extend, renew, or otherwise replace the license granted in Section 1 of this Agreement or to continue to operate the Restaurant, and (b) the Company shall have no expectation or right to require the Franchisee to continue to operate the Restaurant.

## SECTION 3: RESTAURANT SYSTEM AND PROCEDURES

3.0 To the extent deemed appropriate by the Company in its sole discretion, based on the Franchisee's experience and performance at any particular time during the Term, the Company will use commercially reasonable efforts to furnish the Franchisee with advice and assistance in managing and operating a TACO BELL RESTAURANT, including periodic visits by the Company's representatives. A Company representative will assist the Franchisee in coordinating the Restaurant pre-opening activities, and will be available to assist with Restaurant operations throughout the opening week, as reasonably needed. In addition, the Company will develop and present to the Franchisee, and the Franchisee and the Company shall carry out, an advertising program designed for the initial opening of the Restaurant.

3.1 The Franchisee shall devote his or her full time, best efforts and constant personal attention to the day to day operation of the Restaurant. In order to facilitate the devotion of such personal attention, either the Franchisee or a qualified manager of the Restaurant shall maintain his or her personal principal residence within a usual driving time of approximately one hour from the Restaurant. Unless the Company shall have given its prior advance written approval, the Franchisee shall have the Restaurant open for business during such hours as are specified by the Company in the Manual described in Subsection 3.2 below (the "Manual"). In addition, and without limiting the generality of the foregoing responsibilities, the Franchisee shall:

(a) Operate the Restaurant in a clean, safe and orderly manner, providing courteous, first-class service to the public;

(b) Diligently promote and make every reasonable effort to increase the business of the Restaurant;

(c) Advertise the business of the Restaurant by the use of the Trademarks and such other insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or established from time to time by the Company and included in the Manual; and

(d) Prevent the use of the Restaurant for any immoral or illegal purpose, or for any other purpose, business activity, use or function which is not expressly authorized hereunder or in the Manual.

3.2 The Franchisee hereby acknowledges receipt and loan of a copy of the Company's Franchise Operations Manual, and shall faithfully, completely and continuously perform, fulfill, observe and follow all instructions, requirements, standards, specifications, systems and procedures contained therein; including, those dealing with the selection, purchase, storage, preparation, packaging, service and sale (including menu content and presentation) of all food and beverage products, and the maintenance and repair of Restaurant buildings, grounds, furnishings, fixtures, and equipment, as well as those relating to employee uniforms and dress, accounting, bookkeeping, record retention and other business systems, procedures and operations. By this reference, the Company's Franchise Operations Manual, as presently constituted and as it may hereafter be amended and supplemented by the Company from time to time (the "Manual") is incorporated in and made part of this Agreement. The Franchisee acknowledges that the materials contained in the Manual are integral, necessary and material elements of the System.

3.3 The Company shall have the right at any time and from time to time, in the good faith exercise of its reasonable business judgment, consistent with the overall best interests of TACO BELL RESTAURANTS generally, to revise, amend, delete from and add to the System and the material contained in the Manual. The Franchisee shall promptly comply with all such revisions, amendments, deletions and additions.

3.4 The Franchisee understands, acknowledges and agrees that strict conformity with the System, including the standards, specifications, systems, procedures, requirements and instructions contained in this Agreement and in the Manual, is vitally important to the success not only of the Company, but to the collective success of all Taco Bell franchisees, including the Franchisee, by reason of the benefits all franchisees and the Company will derive from chain uniformity in food products, identity, quality, appearance, facilities and service among all TACO BELL RESTAURANTS. Any failure to adhere to the standards, specifications, requirements or instructions contained in this Agreement or in the Manual shall constitute a material breach of this Agreement.

3.5 The Franchisee shall offer for sale only from the Restaurant premises and at all times when the Restaurant is open for business all and only the food, beverages and other products expressly described in the Manual, unless the Franchisee shall have received the Company's prior written consent to any exception. No food, beverage or other products shall be offered or sold at or from the Restaurant under or in connection with any trademark or service mark other than the Trademarks without the prior written authorization of the Company in each case.

3.6 The Franchisee further understands, acknowledges and agrees that the Company is the owner of all rights in and to the System, including the information and materials described or contained in the Manual, and that the System, including such information and materials, constitutes trade secrets of the Company which are revealed to the Franchisee in confidence, and that no right is given to or acquired by the Franchisee to disclose, duplicate, license, sell or reveal any portion thereof to any person, other than an employee of the Franchisee required by his or her work to be familiar with relevant portions thereof. The Franchisee hereby represents, warrants and promises to keep and respect such confidences extended by the Company to the Franchisee, to obtain from each of its Restaurant managers an agreement to keep and respect such confidences, and to be responsible for compliance by said employees with such agreements.

3.7 The Manual and all such other materials furnished to the Franchisee hereunder are and shall remain the property of the Company and shall be returned by the Franchisee to the Company immediately upon the expiration or earlier termination of this Agreement for any reason.

3.8 During the term of this Agreement, the Franchisee shall not, without the prior express written consent of the Company, directly or indirectly, perform any services for, engage in or acquire any financial, beneficial or equity interest in, any business similar to that of the Restaurant. In the event this Agreement is terminated by the Company for breach by the Franchisee, the same restrictions shall apply for a period of one year following such termination, but only with respect to similar businesses operated within a one mile radius of the Restaurant. For purposes of this subsection, a "similar business" is a restaurant business which prepares or sells Mexican style food products. Notwithstanding the foregoing, the Franchisee and his or her family, collectively, may own up to ten percent (10%) of the stock of a publicly traded company engaged in a similar business. If any court or other tribunal having jurisdiction to determine the validity or enforceability of this subsection determines that it would be invalid or unenforceable as written, then in such event the provisions hereof shall be deemed modified to the extent necessary to be valid and enforceable.

## SECTION 4: TRAINING

4.0 The Company shall make available to the Franchisee and one Restaurant manager, the Company's TACO BELL RESTAURANT operations training course.

4.1 Before the Restaurant shall open for business, one person from the Franchisee's organization who is designated to be the initial manager of the Restaurant shall either: (a) attend, for such period of time as the Company shall deem reasonably necessary, and complete the Company's training course to the reasonable satisfaction of the Company, or (b) otherwise be approved by the Company to manage the Restaurant. In the event this Agreement is the first franchise agreement between the Company and the Franchisee, then before the Restaurant shall open for business, the Franchisee shall also attend, for such period of time as the Company shall deem reasonably necessary, and complete the Company's training course to the reasonable satisfaction of the Company. If the Franchisee fails to successfully complete the Company's training course, then at the option of the Company this Agreement may be terminated.

4.2 The Franchisee and at least one Restaurant manager shall, from time to time as reasonably required by the Company, personally attend and complete a Company-provided refresher course in TACO BELL RESTAURANT operations.

4.3 The Franchisee shall be responsible for the compliance of Restaurant operations with the standards, methods, techniques and material taught at the Company's operations training course, and shall cause the Restaurant employees to be trained in such standards, methods and techniques as are relevant to the performance of their respective duties.

4.4 Attendance of the Franchisee and one manager of the Restaurant shall be tuition-free at all training courses, but at the Franchisee's sole cost and expense, including, without limitation, the cost of travel, lodging, meals and other related and incidental expenses.

## SECTION 5: RESTAURANT MAINTENANCE

5.0 The Franchisee shall, at the Franchisee's sole cost and expense, maintain and repair the Restaurant, related equipment, signage, improvements, landscaping and the Restaurant premises in conformity with the standards, specifications and requirements of the System, as the same may be designated by the Company from time to time, and as appropriate replace any or all of such items (other than the Restaurant building or premises). The Franchisee shall replace equipment as necessary or desirable at the Franchisee's cost and expense and obtain at his or her cost and expense any new or additional equipment as may be reasonably required by the Company for new products, procedures, administration, marketing or communication. Except as may be expressly provided in the Manual, no alterations or improvements, or changes of any kind in design, equipment or decor shall be made in, on or about the Restaurant or Restaurant premises without the prior written approval of the Company in each instance. The Franchisee shall at the Franchisee's sole cost and expense, replace as necessary such equipment, signage, improvements and landscaping in conformity with such standards, specifications and requirements of the System.

5.1 As a condition of continuing this Agreement after the [insert date] the Franchisee shall, between [insert date] and the [insert date], upgrade the Restaurant in accordance with the Manual (“Mid-Term Upgrade”). The scope of the Mid-Term Upgrade shall be defined in the Manual and generally shall include an interior refresh (including paint, counters, seats, settees, chairs, tables, soffits, and lighting), an exterior refresh (including paint and the addition of, modification to, or incorporation of any new critical design elements), and a signage upgrade. The Franchisee must obtain the Company’s prior written approval of the exact scope of the Mid-Term Upgrade pursuant to the procedures stated in the Manual. In the event the Franchisee fails to obtain the Company’s prior written approval

or complete timely the Mid-Term upgrade pursuant to this section, Franchisor may terminate this Agreement pursuant to Section 15.

5.2 In order to assure the continued success of the Restaurant, the Franchisee shall, from time to time as reasonably required by the Company (taking into consideration the cost and then remaining term of this Agreement), modernize or modify the image of the Restaurant building, premises and equipment to the Company's then current, reasonable standards and specifications. The Franchisee's obligations under this subsection are in addition to, and shall not relieve the Franchisee from, any of its other obligations under this Agreement, including those contained in the Manual. However, no such modernization or re-imaging shall be required by the Company unless and until the Company has at that time committed to implement such standards and specifications within the then current or following calendar year in at least twenty-five percent (25%) of those TACO BELL RESTAURANTS then operated by the Company within the United States.

5.3 If the Franchisee is or becomes a lessee of the Restaurant premises, the Franchisee shall provide the Company with a true and correct, complete copy of any such lease, and shall have included therein provisions, in form satisfactory to the Company, expressly permitting both the Franchisee and the Company reasonable opportunity to take all actions and make all alterations referred to under Subsection 15.2(b). Any such lease shall also require the lessor thereunder to give the Company reasonable notice of any contemplated termination and a reasonable time in which to take and make the above actions and alterations and provide that the Franchisee has the unrestricted right to assign such lease to the Company.

## SECTION 6: ADVERTISING AND PUBLICITY

6.0 The Company shall develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all TACO BELL RESTAURANTS. It is expressly understood, acknowledged and agreed that in all phases of such advertising and promotion, including, without limitation, type, quantity, timing, placement and choice of media, market areas and advertising agencies, the decisions of the Company made in good faith shall be final and binding. The Franchisee shall have the right to participate actively in all such advertising and sales promotion programs, but only in full and complete accordance with such terms and conditions as may be established by the Company for each such program.

6.1 (a) The Company will establish and maintain a fund (the "Marketing Fund") separate from any Company accounts. The Company will deposit into the Marketing Fund all marketing fees received from the Franchisee pursuant to Subsection 7.0(c) below and an amount equal to four and one-quarter percent (4.25%) of the Gross Sales (as defined below) from Company operations of TACO BELL RESTAURANTS in the United States (except Hawaii). The Company will provide an accounting of the Marketing Fund to the Taco Bell franchise advisory council ("FRANMAC") pursuant to the Marketing Fund Policy.

(b) The Company has and will in consultation with FRANMAC develop, publish and modify from time to time as necessary a Marketing Fund Policy, which shall be part of the Manual and will set forth procedures and guidelines for disbursements and expenditures from the Marketing Fund. All monies in the Marketing Fund, including any interest or other income earned from the investment of such monies must be spent and disbursed only in accordance with this Agreement and the Marketing Fund Policy. The Franchisee hereby agrees that the Company can shift into the Marketing Fund any excess funds remaining in funds, sub-funds, or other accounts established or maintained in connection with prior forms of franchise agreement or marketing fund policies, including fees or monies that Franchisee paid, or that were collected from Franchisee, in connection with prior franchise agreements between the Franchisee and the Company.

(c) The Company shall use the Marketing Fund in its good faith determination to disseminate, improve and support the public awareness and image of the Taco Bell brand, the Taco Bell System and its goods and services available to the public, to increase System-wide sales, to purchase advertising, to pay for the development, support, and dissemination of other marketing and media programs on a regional or national basis (including but not limited to promotions, public relations, event marketing, research and clearance of programs, talent and residuals), to pay for the creation and production of advertising, and as otherwise permitted by the Marketing Fund Policy; provided, however, in any given calendar year not more than one-quarter of the aggregate of all marketing fees contributed to the Marketing Fund from franchise and Company Restaurants in the United States (except Hawaii) shall be spent on the production and creation of advertising.

6.2 The Company may temporarily invest any or all of the monies held in the Marketing Fund from time to time at the sole discretion of the Company in accordance with the Marketing Fund Policy. All interest or other income received from such investments may be used by the Company to pay for the expenses of administering the Marketing Fund. Any such amounts not used for this purpose shall be designated Marketing Funds and disbursed according to the Marketing Fund Policy.

6.3 All advertising copy and other materials shall be in strict accordance and conformity with the standards, formats and specimens contained in the Manual. In the event the Franchisee wishes to depart from the materials contained in the Manual, the Franchisee shall submit, in each instance, the proposed advertising copy and materials to the Company for approval in advance of publication, and shall use only such advertising copy and materials as have been approved in writing by the Company. In no event shall the Franchisee's advertising contain any statement or material which may be considered (a) in bad taste or offensive to the public or to any group of persons**,** or (b) defamatory of any person or an attack on any competitor.

6.4 In order to maintain the high reputation of the Taco Bell System and for the benefit of all of its operators, the Franchisee shall report immediately by telephone to the Company the occurrence of any incident at or concerning the Restaurant or the business conducted there which is or is likely to become the subject of publicity through the news media or otherwise. The Franchisee hereby acknowledges that the Company alone is authorized to speak or make statements, public or private, on behalf of the Taco Bell

brand or the Taco Bell System, and the Franchisee shall in every instance consult and coordinate with the Company in advance of communicating with the media or of creating publicity for the brand or System outside the normal course of business.

## SECTION 7: FEES

7.0 As partial consideration for the rights granted hereunder, the Franchisee shall pay the Company throughout the Term:

(a) An initial franchise fee of _____ Dollars ($_____) due upon execution hereof.

(b) A franchise fee for each of the Company's four-week accounting periods (or five-week accounting periods, as determined from time to time by the Company, each whether four or five weeks an "accounting period") equal to five and one-half percent (5.5%) of Gross Sales (as defined below); and

(c) A marketing fee for each of the accounting periods equal to four and one-quarter percent (4.25%) of Gross Sales (as defined below).

(d) Notwithstanding the foregoing, if a federal, state or local law in which the Restaurant is located prohibits or restricts in any way the Franchisee's ability to pay and/or the Company's ability to collect that portion of the period franchise fee (identified in "(b)" above) or period marketing fee (identified in "(c)" above) related to Gross Sales deriving from the sale of alcoholic beverages at the Restaurant (an "Alcohol Restriction Law"), then the Franchisee instead will be required to pay as the period franchise fee and period marketing fee whatever increased percentages of the Restaurant's non-alcoholic beverage Gross Sales (that is, total period Gross Sales minus the amount of Gross Sales derived from the Franchisee's sale of alcoholic beverages) as will result in the Franchisee's paying the period franchise fee and period marketing fee which would otherwise pertain if Franchisee were not subject to an Alcohol Restriction Law.

7.1 Due Dates. Until notified otherwise by the Company, the periodic fees required pursuant to Subsection 7.0 shall be paid by check mailed and postmarked on or before the fifth (5th) business day immediately following the four (or five) week accounting period (as designated by the Company) in which such sales were made. When so notified by the Company, the periodic fees required pursuant to Subsection 7.0 shall be paid by electronic funds transfer received on or before the fifth (5th) business day immediately following the last day of the pertinent accounting period (as designated by the Company) in which such sales were made. Any payment which is not paid when due shall incur the then-customary administrative charge and shall bear interest from and after the due date at the rate of (i) eighteen percent (18%) per annum or (ii) the highest rate permitted by law, whichever is less.

7.2 Definition. The term "Gross Sales" as used in this Agreement shall mean the total of all cash or other payments received for the sale of food, beverages and other tangible property of every kind sold at, in, upon, or from the Restaurant**,** and all amounts which shall be received as compensation for any services rendered therefrom, excluding only sales taxes, employee meals, overrings and refunds to customers.

7.3 Taxes. All fees paid by the Franchisee to the Company pursuant to this Agreement shall be paid to the Company net of any and all withholding, excise, gross receipts, sales, use and other similar taxes (other than state or federal corporate income tax of the Company), so that, for example, in the event any governmental entity would impose a tax of 5% on royalties paid by the Franchisee hereunder, then the Franchisee would pay to the Company 5.79% of the Restaurant's Gross Sales as the franchise fee instead of the 5.5% of Gross Sales payable without any such tax.

## SECTION 8: RECORD KEEPING

8.0 From time to time, the Company may provide the Franchisee with a TACO BELL RESTAURANT record keeping system and forms, and the Franchisee shall employ such system, without modification, in connection with the business of the Restaurant.

8.1 The Franchisee shall complete and submit to the Company on a regular, continuous basis:

(a) Weekly Restaurant Reports, on or before the fifth business day after each week in each accounting period;

(b) Period Restaurant Reports, on or before the fifth business day after expiration of each accounting period; and

(c) Annual Restaurant Reports, on or before 90 days following the end of each calendar year or the end of the Franchisee's fiscal year, whichever is pertinent.

8.2 The Annual Restaurant Reports referred to above shall include a balance sheet dated as of the end of the pertinent year and a profit and loss statement for such year, together with such additional financial information as the Company may reasonably request, all prepared in accordance with generally accepted accounting principles. Such balance sheet and profit and loss statement must be reviewed by an independent certified public accountant and be in accordance with Statements on Standards for Accounting and Review Services and must contain a signed opinion by such accountant to that effect. If the Franchisee fails to provide the Company with any such financial statement, the Company shall have the right to have an independent audit made of the Franchisee's books and records, and the Franchisee shall promptly reimburse the Company for the cost thereof.

8.3 Each of the Reports referred to in this section shall be completed by the Franchisee or the Franchisee's accountant in the respective specimen forms, and in accordance with the instructions, contained in the Manual. Time is of the essence with respect to completion and submission of each such Report. Franchisee hereby consents to the Company's release of information regarding the Restaurant's sales to associations of franchisees, to consultants of the Company, to advertising agencies and to other parties considered appropriate by the Company.

8.4 If the Franchisee is a corporation, it shall maintain an accurate stock register. In the event that the beneficial ownership of the Franchisee's stock differs in any respect from record ownership, the Franchisee shall also maintain a list of the names, addresses and interests of all beneficial owners of its stock. The Franchisee shall produce its stock register and any list of beneficial owners, certified by the corporation's secretary to be correct, at the Restaurant at any reasonable time and from time to time after ten days' prior written request by the Company. Company representatives shall have the right to examine the stock register and any list of beneficial owners and to reproduce all or any part thereof. In addition, all record and beneficial stock holders of the Franchisee shall jointly and severally guaranty the full and faithful performance of all agreements, duties and obligations required to be performed, fulfilled or observed by the Franchisee under this Agreement.

8.5 Without limiting the generality of Subsection 9.0, below, Company representatives shall have the right at all times during normal business hours to confer with Restaurant employees and customers, and to inspect the Franchisee's books, records and tax returns, or such portions thereof as pertain to the operation of the Restaurant business. All such books, records and tax returns shall be kept and maintained at the Restaurant premises or such other place as may be agreed to from time to time in writing by the parties. If any such inspection reveals that the Gross Sales reported in any report or statement are less than the actual Gross Sales ascertained by such inspection, then the Franchisee shall immediately pay the Company the additional amount of fees owing by reason of the understatement of Gross Sales previously reported, together with interest and administrative charges as provided in Subsection 7.1. In the event that any report or statement understates Gross Sales by more than two percent (2%) of the actual Gross Sales ascertained by the Company's inspection, the Franchisee shall, in addition to making the payment provided for in the immediately preceding sentence, pay and reimburse the Company for any and all expenses incurred in connection with its inspection, including, but not limited to, reasonable accounting and legal fees. Such payments shall be without prejudice to any other rights or remedies the Company may have under this Agreement or otherwise.

## SECTION 9: RESTAURANT INSPECTION

9.0 The Company shall have the right at any time and from time to time without notice to have its representatives enter the Restaurant premises for the purpose of inspecting the condition thereof and the operation of the Restaurant for compliance with the standards, specifications, requirements and instructions contained in this Agreement and in the Manual, and for any other reasonable purpose connected with the operation of the Restaurant.

## SECTION 10: RELATIONSHIP OF PARTIES AND INDEMNIFICATION

10.0 The Franchisee is not, and shall not represent or hold itself out as, an agent, legal representative, joint venturer, partner, employee or servant of the Company for any purpose whatsoever and, where permitted by law to do so, shall file a business certificate to such effect with the proper recording authorities. The Franchisee is an independent contractor and is not authorized to make any contract, agreement, commitment, warranty or representation on behalf of the Company, or to create any obligation express or implied on behalf of the Company. The Franchisee agrees that the Company is not, and the Franchisee hereby covenants not to claim that the Company is, in any way a "fiduciary" as regards the Franchisee. The Franchisee shall not use the name TACO BELL or any similar words as part of or in association with any trade name or name of any business entity directly or indirectly associated with the Franchisee.

10.1 Franchisee agrees that it will, at its sole cost, at all times indemnify, defend and hold harmless the Company; any of the Company’s parents, affiliates, subsidiaries, successors, assigns and designees; and, the officers, directors, managers, employees, agents, attorneys, shareholders, owners, members, designees and representatives of each of the foregoing (the Company and all others referenced above being the “Company Parties”), to the fullest extent permitted by law, from all claims, losses, liabilities and costs incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether any of the foregoing is reduced to judgment) or any settlement of the foregoing, which actually or allegedly, directly or indirectly, is related in any way to any element of the Franchisee’s establishment, design, construction, conversion, opening, remodeling, renovation and/or operation of the Restaurant and/or Franchisee’s franchised business, including (without limitation) (i) any personal injury, death, or property damage suffered by any customer, visitor, operator, vendor, contractor, subcontractor, employee or guest of the Restaurant and/or Franchisee’s franchised business and (ii) all acts, errors, neglects or omissions of Franchisee or Franchisee’s franchised business and/or any of its or their owners, officers, directors, management, employees, agent, servants, contractors, partners, proprietors, affiliates or representatives (or any third party acting on Franchisee’s behalf or direction) related to the operation of the restaurant; the preparation, offer and sale of food and beverage items thereat; and, all liabilities directly or indirectly arising from or related to any sale at or from the restaurant of beer, wine and/or other alcoholic beverages (including “dram shop” liabilities). As used above, the phrase “claims, losses, liabilities and costs” includes all claims; causes of action; fines; penalties; liabilities; losses; compensatory, exemplary, statutory, or punitive damages or liabilities; costs of investigation; court costs and expenses; actual attorneys’ and experts’ fees and disbursements; settlement amounts; judgments; compensation for damage to the Company’s reputation and goodwill; travel, food, lodging and other living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by the Company Parties’ attorneys and/or experts); all expenses of recall, refunds, compensation and public notices; and, other such amounts incurred in connection with the matters described. Franchisee

agrees to give the Company written notice of any such action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any Company Party within three days of Franchisee's actual or constructive knowledge of it. At Franchisee's sole expense and risk, The Company may elect to assume the defense and/or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation. The Company's undertaking of defense and/or settlement will in no way diminish Franchisee's indemnification obligations hereunder.

Franchisee agrees that any failure by the Company Parties to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable by the Company Parties from Franchisee. The indemnification obligations of this Section will survive the expiration or sooner termination of this Agreement.

10.2 Franchisee hereby irrevocably affirms, attests and covenants its understanding that Franchisee's employees are employed exclusively by Franchisee and in no fashion is any such employee either employed, jointly employed or co-employed by the Company. Franchisee further affirms and attests that each of its employees is under the exclusive dominion and control of the Franchisee and never under the direct or indirect control of the Company in any fashion whatsoever. The Company and Franchisee hereby agree that, with respect to the employees working at or in the Restaurant, Franchisee alone has the right and obligation, and the Company has absolutely no right or obligation, to:

(a) hire the employees;

(b) determine the employees' compensation and other benefits;

(c) establish the employees' schedules;

(d) pay all salaries, benefits, and employee-related liabilities, e.g., workers' compensation; payroll taxes;

(e) discipline or terminate the employees;

(f) determine the number of employees working at the Restaurant (subject to any minimum staffing guidelines the Company may publish for the purpose of ensuring Franchisee has the capability at all times to satisfy the Company's food safety and product quality standards);

(g) train the employees as it sees fit (subject to the use of the Company's training materials, developed to ensure customers receive a consistent brand experience, and full compliance with the Company's food safety and product quality standards).

Finally, should it ever be asserted that the Company is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist the Company in defending said allegation, including (if necessary) appearing at any venue requested by the Company to testify on the Company's behalf (and, as may be necessary, submitting itself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that the Company is the employer, joint employer or co-employer of any of Franchisee's employees). To the extent the Company is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Franchisee, then should any such appearance by Franchisee be required or requested by the Company, it will recompense Franchisee the reasonable costs associated with Franchisee appearing at any such venue (including travel, lodging, meals and *per diem* salary).

## SECTION 11: INSURANCE

11.0 The Franchisee shall procure before the commencement of Restaurant operations and maintain in full force and effect during the entire term of this Agreement, at its sole cost and expense, an insurance policy or policies protecting the Franchisee and the Company against any and all loss, liability or occurrence, arising out of or in connection with the condition, operation, use or occupancy of the Restaurant or Restaurant premises. The Company shall be named as an additional insured in all such policies, workers' compensation excepted. Such policy or policies shall be written by an insurance company or companies satisfactory to the Company and with a minimum Best's Rating of A- or other such comparable rating and shall include coverage in at least the following types and amounts:

| **KIND OF INSURANCE** | **MINIMUM LIMITS OF LIABILITY** |
|---|---|
| Workers' Compensation | Statutory |
| Employers' Liability | $2,000,000 per occurrence |
| Commercial General Liability | $2,000,000 per occurrence<br>$5,000,000 annual aggregate |
| Products Liability | per occurrence included in<br>Commercial General Liability,<br>separate annual aggregate of $5,000,000 |
| Liquor Liability Insurance | $3,000,000 annual aggregate per common cause and as further set out below |

The insurance afforded by the policy or policies shall be primary with respect to insurance maintained by the Company and shall not be

limited in any way by reason of any insurance which may be maintained by the Company. Subject to the express prior written approval of the Company (which the Company may withhold in its good faith discretion), that such program would not put the Company at any greater risk or exposure than would coverage from insurers described above, and to the Franchisee's full compliance with all pertinent laws and regulations, the Franchisee may satisfy its obligations with respect to Workers' Compensation coverage through a self-insurance program. Franchisee is only required to maintain Liquor Liability Insurance if serving alcoholic beverages at the Restaurant. Franchisee is required to maintain such Liquor Liability Insurance with limits of not less than the equivalent of $3,000,000.00 each common cause and $3,000,000.00 annual aggregate covering bodily injury and property damage if liability for either bodily injury or property damage is imposed by reason of the selling, serving or furnishing of any alcoholic beverage by Franchisee.

11.1 Within thirty (30) days after the execution of this Agreement, but in no event later than one week before the Restaurant opens for business, Certificates of Insurance showing compliance with the requirements of Subsection 11.0 shall be furnished by the Franchisee to the Company for approval. Such certificates shall state that the policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to the Company. Maintenance of such insurance and the performance by the Franchisee of its obligations under this Section 11 shall not relieve the Franchisee of liability under the indemnity provisions of this Agreement or limit such liability.

11.2 The Franchisee shall maintain an all-risk property insurance (fire) policy on the Restaurant buildings and other improvements, equipment, furnishings, fixtures, signage and any additions. The policy shall be written on the basis of replacement cost of the property and shall include a minimum of six months' coverage for business interruption. Such policy or policies shall be written by an insurance company with a minimum Best's Rating of A- or other such comparable rating.

11.3 Should the Franchisee, for any reason, not timely procure and maintain the insurance coverage required by this section, then the Company shall have the right and authority to immediately procure such insurance coverage as part of or separate from its own policies, in its sole discretion, and to charge the cost thereof to the Franchisee, which charges shall be paid immediately upon notice and shall be subject to charges for late payments in the manner set forth in Subsection 7.1.

11.4 The Franchisee’s insurance shall be endorsed to add the Company and each of its parents, subsidiaries, affiliates, officers, shareholders, members, directors, and employees as additional insureds.

## SECTION 12: DEBTS AND TAXES

12.0 The Franchisee shall pay promptly when due all obligations incurred directly or indirectly in connection with the Restaurant and its operation, including, without limitation, all taxes and assessments that may be assessed against the Restaurant land, building and other improvements, equipment, fixtures, signs, furnishings and other property, and all liens and encumbrances of every kind and character created or placed upon or against any of said property (subject, however, to any conflicting provisions of any arm’s length, bona fide lease or leases of any of the foregoing property), and all accounts and other indebtedness of every kind and character incurred by or on behalf of the Franchisee in the conduct of the Restaurant business.

## SECTION 13: SALE AND ASSIGNMENT

13.0 The Franchisee's rights and interests under this Agreement and any interest in any of the Restaurant land, building, equipment, fixtures or other things which are subject to the provisions of this Agreement shall not be subject to sale, assignment, transfer or encumbrance, including the granting of any lien or security interest (all of which are hereinafter included within the term "transfer") in whole or in part in any manner whatsoever without the prior express written consent of the Company. The Company will not, however, unreasonably withhold its consent to any proposed sale or assignment. In considering a request for transfer, the Company will consider, among other things, the qualifications, apparent ability and credit standing of the proposed transferee as if the same were a prospective, direct franchisee of the Company. In addition, the Company shall require as a condition precedent to the granting of its consent with respect to any transfer that:

(a) there shall be no existing default in the performance or observance of any of the Franchisee's obligations under this Agreement or any other agreement with the Company and the Restaurant shall be in condition and appearance satisfactory to the Company and in accordance with its standards at that time;

(b) the Franchisee shall have settled all outstanding accounts with the Company and its affiliates and executed a Release in a form satisfactory to the Company**;**

(c) the Franchisee shall have paid the Company its then current transfer fee applicable to the type of transfer proposed. The amount of the transfer fee will be set by the Company from time to time and will be limited to the Company's good faith estimate of its costs and expenses expected to be incurred in connection with investigating the qualifications of the proposed transferee, training the proposed transferee and the direct administrative costs of reviewing and effecting the transfer;

(d) unless already a Taco Bell franchisee, the proposed transferee shall have personally attended and satisfactorily completed the Company's tuition-free training program; and

(e) the proposed transferee shall have executed the Company's then current form of Franchise Agreement

for a term equal to the remaining term of this Agreement but requiring no initial franchise fee and requiring no greater periodic franchise fee than the applicable fee set forth in Subsection 7.0(b) above,

except that the items described in clauses (c) and (d) above shall not be required with respect to a proposed transferee that is only to receive the benefits of a lien or security interest or borrowed money. Neither this Agreement nor any of the rights or interests conferred on the Franchisee hereunder shall be retained by the Franchisee as security for the payment of any obligation that may arise by reason of any such transfer.

13.1 It is acknowledged and agreed that a material part of the consideration for the Company's entering into this Agreement is the personal confidence reposed in the Franchisee, and no person shall succeed to any of the rights of the Franchisee under this Agreement by virtue of any voluntary or involuntary proceeding in foreclosure, bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors or other legal process.

13.2 Except as expressly provided for herein, any attempt by the Franchisee to transfer any of its rights or interests under this Agreement shall constitute a material breach of this Agreement and the Company shall have the right to terminate this Agreement. The Company shall not be bound by any attempted sale, assignment, transfer, conveyance or encumbrance in any manner whatsoever, by law or otherwise, of any of the Franchisee's rights or interests under this Agreement.

13.3 If the Franchisee desires to conduct business in a corporate capacity, the Company will consent to the assignment of this Agreement to a corporation approved by the Company, provided that the Franchisee complies with the provisions hereinafter specified and any other condition which the Company may require, including restrictions on the number, identity and legal status of stockholders of the assignee corporation. Such assignee corporation shall be closely held and shall not engage in any business activity other than that directly related to the operation of TACO BELL RESTAURANTS franchised by the Company.

If the Franchisee's rights are assigned to a corporation, the individual Franchisee named herein or otherwise expressly designated in writing by the Company shall at all times be the legal and beneficial owner of at least 51% of the stock of the assignee corporation, and shall act as such corporation's principal officer; provided, however, subject to the express prior written consent of the Company, such stock may be held in trust by a trustee under a trust indenture, with each trustee and beneficiary of such trust personally guaranteeing all of the obligations of the Franchisee hereunder. Any issuance or transfer of stock in such corporation shall be treated for the purposes of this Agreement as a transfer of the Franchisee's rights under this Agreement requiring the Company's consent as provided herein. The Franchisee must prior to any issuance or transfer of any stock furnish the Company with a written notice containing the details of such proposed issuance or transfer in advance thereof. The Articles of Incorporation and the By-Laws of the assignee corporation shall reflect that the issuance and transfer of shares of stock are restricted, and all stock certificates shall bear the following legend, which shall be printed legibly and conspicuously on the face of each stock certificate:

> "The transfer of this stock is subject to the terms and conditions of a franchise agreement with Taco Bell Franchisor, LLC and certain restrictions set forth in the charter and bylaws of this corporation, and no such transfer shall be valid unless Taco Bell Franchisor, LLC has consented thereto."

The Franchisee acknowledges that the purpose of the aforesaid restriction is to protect the Company's trademarks, service marks, trade secrets and operating procedures as well as the Company's general**,** high reputation and image, and is for the mutual benefit of the Company, the Franchisee and other franchisees of the Company. The Company shall not unreasonably restrict the issuance or transfer of shares of stock, provided that in no event shall any share of stock of such assignee corporation be sold, transferred or assigned to a business competitor of the Company.

13.4 The Franchisee shall at all times throughout the term of this Agreement have on file with the Company the name of a designated successor agent, approved by the Company, and authorized by the Franchisee to make, subject to and immediately upon the death or legal incapacity of the Franchisee (or if the Franchisee is not an individual, its designated agent), all operating decisions with respect to the Restaurant business (including but not limited to hiring and severance of employment, voting in the Local Association, purchasing, maintenance, etc.). Not less often than once each calendar year, the Franchisee shall confirm or change in writing such designated successor agent.

In the event of the death or legal incapacity of the Franchisee or, where the Franchisee is a corporation, any person owning the legal or beneficial interest in 10% or more of the outstanding stock of the Franchisee, the rights and obligations of the Franchisee or of such stockholder hereunder shall inure to the benefit of such of the executors, administrators, heirs, conservators or legatees of the Franchisee or such stockholder (collectively the "Legatee") as shall (i) elect, in a written notice received by the Company within one hundred twenty (120) days after the date of death, or the judicial determination of legal incapacity, to perform all of the duties and obligations required to be performed, fulfilled and observed by the Franchisee under this Agreement and (ii) be determined by the Company, in its good faith discretion, to be able to perform such duties and obligations. In the event the Company determines that the Legatee is not capable of performing all of the duties and obligations required to be performed by the Franchisee under this Agreement, the Legatee shall use best efforts within the six (6) months from the date of written notice from the Company to sell the subject interest hereunder to a bona fide purchaser in accordance with and subject to all of the provisions of this Section 13. If by the end of such six month period, the Legatee has not effectuated a transfer of such interest in a transaction which meets the requirements of this Section 13, the Company shall have the option to purchase the subject interest in the Restaurant and franchise at the fair market value thereof as determined in good faith through negotiation or, failing that, upon written demand of either party, by three appraisers, with the Company and the Legatee each selecting one appraiser and the two appraisers so chosen selecting the third appraiser, with their cost to be shared equally between Legatee and the Company.

13.5 Notwithstanding anything contained in this Agreement to the contrary, if the Franchisee (or any of its direct or indirect parent entities and/or affiliates) proposes to (or receives an offer from a third party to), in any manner whatsoever, transfer, sell, assign, convey, exchange or otherwise dispose of any interest (a) in or under this Agreement, and/or (b) in any of the Restaurant, land, building, equipment, fixtures or other things which are subject to the provisions of this Agreement, in each case irrespective of whether any of the foregoing transactions are effected with or without consideration, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise (each such transaction in clauses (a) and (b), a "Transfer"), the Franchisee shall give at least ten (10) business days prior written notice thereof to the Company before the Franchisee discloses its decision to undertake any proposed Transfer to any third party (including any prospective purchaser). The Franchisee shall at no time offer to effectuate a Transfer (or enter into any agreement or contract to effectuate a Transfer) where such Transfer would in any manner be tied to the transfer of any interest or obligation other than an interest in this Agreement or the ownership, possession, use or operation of the Restaurant or the assets or business pertaining thereto.

In addition, the Company shall have a right of first refusal with respect to any and all Transfers, which right of first refusal shall be unrestricted and absolute. Before consummating a Transfer to any third party, the Franchisee shall first (i) provide written notice to the Company, which notice shall constitute an offering of the proposed Transfer to the Company and (ii) submit a copy of the purchase agreement (which purchase agreement shall be signed by the parties, but expressly by its own terms shall be subject to the Company's right of first refusal) to the Company together with all ancillary and other documents relating to such proposed Transfer (including, but not limited to, any exhibits and/or disclosure schedules to the purchase agreement) and any other information requested by the Company, in each case at least thirty (30) days in advance of any proposed consummation or closing date of the proposed Transfer for the Company's review and evaluation. The Company may, in its sole discretion, disclose any documentation relating to a proposed Transfer to any third party.

The Company shall in all cases have thirty (30) days following the later of (1) the Company's receipt of all Transfer documentation and any other information requested by the Company, and (2) any change in the terms or conditions of the Transfer, to consider and exercise (or assign to a third party for exercise) its right of first refusal, which exercise shall be effective by the Company's delivery of written notice to the Franchisee. In all cases, the Company shall have not less than thirty (30) days after the exercise of the right of first refusal to consummate the transactions contemplated by the proposed Transfer. If the Company exercises its right of first refusal (or assigns such right to a third party), (a) the purchase agreement to be entered into between the Company (or its assignee) and the Franchisee shall be on substantially similar terms and conditions as the purchase agreement between the Franchisee and the third party purchaser and (b) neither the Company nor its assignee shall have any obligation to reimburse the Franchisee or any third party for any costs or expenses relating to the proposed Transfer giving rise to the right of first refusal, the Company's review of the Transfer, or the exercise or assignment of its right of first refusal. In the event the consideration to the Franchisee under any such offer or contract with a third party is other than cash consideration and the Company elects to exercise or assign its right of first refusal, the Company or such assignee may, in its sole discretion, pay the reasonable equivalent in cash of such other consideration. Nothing contained in this Subsection 13.5 shall in any way be deemed to impair the Company's discretion in considering, approving or disapproving any request to transfer any interest under this Agreement.

In the event that the Company exercises its right of first refusal (or assigns such right to a third party), the Franchisee acknowledges and agrees that it shall take all actions as may be reasonably necessary to consummate the sale to the Company (or its assignee) as contemplated by this Subsection 13.5, including, without limitation, entering into agreements and delivering certificates, instruments, consents and/or other documents as may be deemed necessary or appropriate.

13.6 The Company has the right to assign any and all of its rights, privileges and/or obligations under this Agreement to any person or business entity. If the Company assigns this Agreement, the Franchisee expressly agrees that immediately upon and following such assignment, the Company shall no longer have any obligation or liability (whether directly, indirectly or contingently) to perform or fulfill any duties or obligations imposed upon the "Company" hereunder. Instead, all such duties and obligations will be performed solely by the Company's assignee, and the Franchisee agrees never to assert otherwise. The Franchisee agrees and affirms that the Company may undertake a refinancing, recapitalization, or other economic or financial restructuring. The Franchisee expressly waives any and all claims, demands or damages arising from or related to such activities.

## SECTION 14: TRADEMARKS

14.0 The Franchisee acknowledges the sole and exclusive right of the Company (except for rights granted under existing and future franchise and license agreements) to use the Trademarks in connection with the products and services to which they are or may be applied by the Company, and represents, warrants and agrees that neither during the Term of this Agreement nor after the expiration or other termination hereof, shall the Franchisee directly or indirectly contest or aid in contesting the validity, ownership or use of the Trademarks by the Company or take any action whatsoever in derogation of the rights claimed therein by the Company.

14.1 The license granted to the Franchisee under this Agreement to use the Trademarks is non-exclusive and the Company, in its sole and absolute discretion, has the right to grant other licenses in, to and under the Trademarks in addition to those licenses already granted, both within and outside the Restaurant trading area, and to develop and license other names and marks on any such terms and conditions as the Company deems appropriate.

14.2 The Franchisee understands and expressly acknowledges and agrees that the Company has the exclusive, unrestricted right to engage directly and indirectly, through its employees, representatives, licensees, assigns, agents and others, at

wholesale, retail and otherwise, within the Restaurant trading area and elsewhere, in (a) the production, distribution and sale of food products and beverages (including, without limitation, tacos, taco shells, sauces and fillings, and other Mexican style food products) under the Trademarks licensed hereunder or other marks; and (b) the use, in connection with such production, distribution and sale, of any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by the Company, whether or not included in Appendix 1.

14.3 Except as expressly permitted by this Agreement and the Manual, the license granted under this Agreement does not include any right or authority of any kind whatsoever to pre-package or sell pre-packaged food products or beverages under the Trademarks.

14.4 Nothing contained in this Agreement shall be construed to vest in the Franchisee any right, title or interest in or to the Trademarks, the goodwill now or hereafter associated therewith, or any right in the design or any restaurant building, other than the rights and license expressly granted herein for the Term. Any and all use of the Trademarks as well as the goodwill associated with or identified by the Trademarks shall inure directly and exclusively to the benefit of the Company, including without limitation any goodwill resulting from operation and promotion of the Restaurant.

14.5 The Franchisee shall not use the Trademarks or refer to the Company or the System in connection with any statement or material, or do or fail to do anything else, which may, in the judgment of the Company, be in bad taste or inconsistent with the Company's public image, or tend to bring disparagement, ridicule or scorn upon the Company, the System, the products or services of the System, or the Trademarks or the goodwill associated therewith. The Franchisee, whether doing business as a proprietorship, partnership, corporation or other entity, shall not adopt, use or register (by filing a certificate or articles of incorporation, a fictitious business name statement, or otherwise) any trade or business name, style or design which includes, abbreviates, or is similar to, any of the Company's trademarks, service marks, trade names, logos, insignia, slogans, emblems, symbols, designs or other identifying characteristics.

14.6 The Company shall have the right at any time and from time to time upon notice to the Franchisee to make additions to, deletions from, and changes in the Trademarks, or any of them, all of which additions, deletions and changes shall be as effective as if they were incorporated in this Agreement. All such additions, deletions and changes shall be made in good faith, on a reasonable basis and with a view toward the overall best interest of the Taco Bell System. The Company will use commercially reasonable efforts to protect and preserve the integrity and validity of the Trademarks, including the taking of actions deemed by the Company to be appropriate in the event of any apparent infringement of the Trademarks.

14.7 The Franchisee shall notify the Company promptly of any claims or charges of trademark infringement against the Company or the Franchisee, as well as any information the Franchisee may have of any suspected infringement of the Trademarks. The Franchisee shall take no action with regard to such matters without the prior written approval of the Company, but shall cooperate fully with the Company in any such action.

14.8 The Franchisee shall adopt and use the Trademarks only in the manner expressly approved by the Company from time to time during the Term.

## SECTION 15: EXPIRATION AND TERMINATION

15.0 This Agreement shall immediately terminate without notice if a petition in bankruptcy, an arrangement for the benefit of creditors, a petition for reorganization is filed by or against the Franchisee, or if the Franchisee shall make any assignment for the benefit of creditors, or if a receiver or trustee is appointed for the Restaurant;

15.1 The Company shall have the right to terminate this Agreement immediately:

(a) in the event of any breach or default under Subsections 4.1, 5.1, 9.0, 13.2, 13.5, or 14.0;

(b) if the Franchisee for any reason loses its right to possession of the Restaurant premises;

(c) if the Company discovers that the Franchisee has made any material misrepresentation or omitted any material fact in the information furnished by the Franchisee in connection with the grant of this Taco Bell franchise;

(d) if the Franchisee (or any shareholder if the Franchisee is a corporation) is convicted of any felony or any crime involving moral turpitude.

Any default or breach by Franchisee, Franchisee's Affiliates, Franchisee's Owners, or Obligors of any agreement between the Company or the Company's Affiliates and Franchisee, Franchisee's Affiliates, Franchisee's Owners or Obligors will be deemed a breach and default under this Agreement, and any breach or default of this Agreement by Franchisee, Franchisee's Affiliates, Franchisee's Owners or Obligors will be deemed a breach of any other agreement between the Company or the Company's Affiliates and Franchisee, Franchisee's Affiliates, Franchisee's Owners or Obligors. If the nature of the default under any agreement would have permitted the Company or the Company's Affiliate to terminate this Agreement if the default had occurred under this Agreement, then the Company will have the right to terminate all such other agreements in the same manner provided for in this Agreement for termination hereof. For purposes of this Section 15, "Affiliates" means any persons or entities controlling, controlled by or under common control with another person or entity, "Owners" means any persons or entities who own or hold some interest or perform some role or function in Franchisee, and "Obligors"

means Owners who are party to a relationship agreement among the Company, Franchisee and others.

If the Franchisee defaults in the performance or observance of any of its other obligations hereunder or under any other franchise agreement with the Company, and such default continues for a period of thirty (30) days after written notice to the Franchisee, the Company may at any time thereafter terminate this Agreement as well as any other such franchise agreement. A repetition within a one-year period of any default shall justify the Company in terminating this Agreement without allowance for any curative period. The foregoing provisions of this Subsection 15.1 are subject to the provisions of any statutes or regulations which may prohibit the Company from terminating this Agreement without good cause or without giving the Franchisee additional prior written notice of termination and opportunity to cure any default. In the event of any termination for failure of the Franchisee to successfully complete the Company's TACO BELL RESTAURANT operations training course pursuant to Subsection 4.1, the Company shall refund to the Franchisee the initial franchise fee payment referred to in Subsection 7.0(a), less any expenses incurred and damages sustained by the Company in connection with its performance hereunder prior to the date of such termination.

15.2 Upon the expiration or earlier termination of this Agreement for any reason, the Franchisee shall:

(a) immediately discontinue the use of the System and Trademarks;

(b) if the Restaurant premises are owned by the Franchisee or leased from a third party, upon demand by the Company, remove the Trademarks from all buildings, signs, fixtures and furnishings, remove and dispose of all proprietary smallwares and equipment, including the production lines, in the manner specified by the Company, and alter and paint all buildings and other improvements maintained pursuant to this Agreement to a design and color which is basically different from any of the Company's authorized building designs and painting schedules.

If the Franchisee shall fail to make or cause to be made any such removal, alteration or repainting within thirty (30) days after written notice, then the Company shall have the right to enter upon the Restaurant premises, without being deemed guilty of trespass or any other tort, and make or cause to be made such removal, alterations and repainting at the reasonable expense of the Franchisee, which expense the Franchisee shall pay the Company upon demand; and

(c) not thereafter use any trademark, trade name, service mark, logo, insignia, slogan, emblem, symbol, design or other identifying characteristic that is in any way associated with the Company or similar to those associated with the Company, or operate or do business under any name or in any manner that might tend to give the public the impression that the Franchisee is or was a licensee or franchisee of, or otherwise associated with, the Company.

15.3 In the event that either party initiates any legal proceeding to construe or enforce the terms, conditions and provisions of this Agreement, including its termination provisions, or to obtain damages or other relief to which either may be entitled by virtue of this Agreement, the prevailing party shall be paid its reasonable attorneys' fees and costs by the other party.

If the Franchisee refuses to comply with a notice of termination given by the Company and a court later upholds such termination of this Agreement, operation of the Restaurant by the Franchisee from and after the date of termination stated in such notice shall constitute trademark infringement by the Franchisee and the Franchisee shall be liable to the Company for damages resulting from such infringements in addition to any royalties paid or payable hereunder, including, without limitation, any profits of the Franchisee at the Restaurant level (without deduction from sales revenues for any compensation or charges payable to the Franchisee or any entity owned or controlled by the Franchisee), which profits in no event shall be calculated as less than ten percent (10%) of the Franchisee's Gross Sales. No such payment or obligation for payment shall in any way imply or be construed to imply or reflect any right of the Franchisee to operate the Restaurant after expiration or termination of this Agreement.

15.4 (a) In the event that the premises at which the Franchisee operates the Restaurant are owned by the Franchisee, then, upon termination of this Agreement, whether it is terminated by the Franchisee or by the Company, the Company shall have the option of immediately purchasing said premises from the Franchisee. If the Company elects to exercise that option, the purchase price to be paid by the Company to the Franchisee shall be the fair market value of the Restaurant land, buildings, furnishings, and equipment owned by the Franchisee. In the event that the parties are unable to agree as to such amount or any other terms of purchase within thirty (30) days following cessation of the Franchisee's operation of the licensed Restaurant at the premises, the amount or other terms of purchase as to which the parties are unable to agree shall be determined by three (3) appraisers, with each party selecting one appraiser and the two appraisers so chosen selecting the third appraiser. If appraisal occurs pursuant to this provision, following the announcement of the appraiser's decision the Company shall have thirty (30) days within which to elect whether or not to purchase the premises.

(b) In the event that the premises at which the Franchisee operates the Restaurant are leased by the Franchisee from a third party, such lease and any subsequent lease of those premises shall give the Franchisee the right to assign such lease to the Company. Upon termination of this Agreement, whether it is terminated by the Company or by the Franchisee, the Franchisee's rights and obligations under said lease shall, if the Company so elects, automatically be assigned to the Company. If the Company exercises this option, the Franchisee shall immediately vacate the premises, and the Company shall be entitled to take possession of said premises, including all fixtures and leasehold improvements. In such event the Company shall pay to Franchisee the fair market value of the interests owned by the Franchisee in the Restaurant's furnishings and equipment. Fair market value shall be determined in the same manner as set forth in the immediately preceding paragraph.

15.5 If this Agreement is terminated as a result of repudiation, default or other action by the Franchisee without material breach hereof by the Company, the Franchisee (in addition to any other remedy or right the Company may have) shall pay to the Company in lump sum as liquidated damages the greater of the amount of eleven percent (11%) times the Restaurant's Gross Sales (as defined in Subsection 7.2 above) for the twelve months immediately preceding termination of this Agreement or $100,000.00. The parties hereby acknowledge and agree that the precise amount of the Company's actual damages in such event would be extremely difficult to ascertain and that the foregoing sum represents a reasonable estimate of such actual damages, based upon the approximate time it would take the Company to open another TACO BELL RESTAURANT in the vicinity. Such liquidated damages shall not apply if the Company exercises one of the options set forth in Subsection 15.4 above and either the Company or another Taco Bell franchisee continues operation of the Restaurant as a TACO BELL RESTAURANT following termination of this Agreement.

15.6 In the event that this Agreement is terminated prior to the end of the term set forth in Section 2 hereof as a result of condemnation proceedings or other action not within the control of the Franchisee or the Company, the Company shall use commercially reasonable efforts to assist the Franchisee in locating an alternative location for the Restaurant in the same area to be used for the balance of the Term upon the same terms and conditions as contained herein, and without the payment of any additional initial franchise fee. This provision shall not be construed to limit the Franchisee from receiving the full amount of any condemnation award or damages relating to the closing of the Restaurant.

15.7 The Franchisee acknowledges that termination and money damages alone are not an adequate remedy for any breach by the Franchisee of any provision of this Agreement, including continuing to operate the Restaurant or to use the Trademarks following expiration or termination of this Agreement, each of which operation or use shall be deemed to inflict irreparable harm upon the Company for which there may be no adequate remedy at law. Therefore, in the event of a breach or threatened breach of any provision of this Agreement by the Franchisee, including continuing to operate the Restaurant or to use the Trademarks following expiration or termination of this Agreement (each of which the Franchisee acknowledges shall constitute trademark infringement), the Company, in addition to all other remedies, shall have the right to immediately seek, obtain and enforce temporary and permanent injunctive relief prohibiting the breach, or to compel specific performance, without the need to post any bond or for any other undertaking, including without limitation proving the inadequacy of monetary damages or that due cause existed for the termination.

## SECTION 16: MISCELLANEOUS

16.0 Waiver. The waiver by the Company of any breach or default, or series of breaches or defaults, of any term, covenant or condition herein or of any same or similar term, covenant or condition in any other agreement between the Company and any franchisee or licensee, shall not be deemed a waiver of any subsequent or continuing breach or default of the same or any other term, covenant or condition contained in this Agreement, or in any other agreement between the Company and any franchisee or licensee.

16.1 Cumulative Remedies. All rights and remedies of the Company shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies 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. The rights and remedies of the Company shall be continuing and not 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 or earlier termination of this Agreement shall not discharge or release the Franchisee from any liability or obligation then accrued or any liability or obligation continuing beyond or arising out of the expiration or earlier termination of this Agreement.

16.2 Partial Invalidity. If any part of this Agreement shall for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions shall not be affected thereby and such remaining portions shall remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid; provided, however, that in the event any part hereof relating to the payment of fees to the Company, or the ownership or preservation of the Trademarks, trade secrets or secret formulae licensed or disclosed hereunder is for any reason declared invalid or unenforceable, then the Company shall have the option of terminating this Agreement upon written notice to the Franchisee.

16.3 Choice of Law. The Franchisee acknowledges that the Company will grant numerous licenses throughout the United States on terms and conditions similar to those set forth in this Agreement and that it is of mutual benefit to the Franchisee and to the Company that these terms and conditions be uniformly interpreted. This Agreement; all relations between the parties; and, any and all disputes between Franchisee and Company, whether such dispute sounds in law, equity or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement is not enforceable under the laws of New York, and if Franchisee's franchised business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised business is located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. This Section is not intended to invoke, and shall not be deemed to invoke, the application of any franchise, business opportunity or similar law of the State of New York which would not otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law.

16.4 Jurisdiction and Venue. With respect to any court proceeding between the Franchisee and the Company concerning the enforcement, construction or alleged breach or termination of this Agreement, the Franchisee hereby submits to the personal jurisdiction and venue of the federal and California state courts located in Orange County, California, for all such matters, and

promises not to commence against the Company any court proceeding concerning such matters in any other courts.

16.5 Notices. Any notice from the Company that is required hereunder to be given in writing, and all notices from the Franchisee to be given hereunder, shall be in writing and shall be deemed given when first tendered or received, whether in person, through United States mail or through reputable private delivery service, during normal business hours for the locale of the addressee at the appropriate address set forth below, or such other address as one party may hereafter provide to the other with not less than three (3) days' notice.

**THE COMPANY:** TACO BELL FRANCHISOR, LLC
1 Glen Bell Way
Irvine, California 92618
Attn: General Counsel

**THE FRANCHISEE:** name
address
city state zip

16.6 Terms and Headings. Whenever any word is used in this Agreement in one gender, it shall also be construed as being used in the other genders, and singular usage shall include the plural and vice versa, all as the context shall reasonably require. The headings inserted in this Agreement are for reference purposes only and shall not affect the construction of this Agreement or limit the generality of any of its provisions.

16.7 Compliance with Laws. The Franchisee shall at its own cost and expense, promptly comply with all laws, ordinances, orders, rules, regulations, and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards, and offices thereof. Without limiting the generality of the foregoing, the Franchisee shall abide by all applicable rules and regulations of any Public Health Department having jurisdiction over the Restaurant.

16.8 Lease of Land and Building. In the event that the parties have executed a lease of land or building relating to the premises described in Subsection 1.0 (the "Lease"), such Lease is hereby incorporated in this Agreement by reference, and any failure on the part of the Franchisee (lessee therein) to perform, fulfill or observe any of the covenants, conditions or agreements contained therein shall constitute a material breach of this Agreement. It is expressly understood, acknowledged and agreed by the Franchisee that any termination of the Lease resulting in the Franchisee's loss of possession of the Restaurant shall result in immediate termination of this Agreement without further notice.

16.9 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between the parties and supersede and cancel any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof. Nothing in the preceding sentence, however, is intended to disclaim the representations the Company made in the franchise disclosure document that the Company has provided to the Franchisee. THE FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT IT HAS ENTERED INTO THIS FRANCHISE AGREEMENT AS A RESULT OF ITS OWN INDEPENDENT INVESTIGATION AND AFTER CONSULTATION WITH ITS OWN ATTORNEY, AND NOT AS A RESULT OF ANY REPRESENTATIONS OF THE COMPANY, ITS AGENTS, OFFICERS OR EMPLOYEES, EXCEPT AS CONTAINED HEREIN AND IN THE COMPANY'S FRANCHISE DISCLOSURE DOCUMENT.

16.10 Amendment or Modification. Except as expressly authorized herein, no amendment or modification of this Agreement shall be binding unless executed in writing by both the Company and the Franchisee.

IN WITNESS WHEREOF, the parties personally or through their duly authorized signatories have executed this Agreement in duplicate on the day and year written below.

**TACO BELL FRANCHISOR, LLC**

By_____
Its

Date: _____

**FRANCHISEE**

_____
Name Date

_____
**Name** **Date**

**APPENDIX 1**
**TRADEMARKS**

The Company has registered with the United States Patent and Trademark Office the following active trademarks:

| Mark | Reg. No. | Reg. Date |
|---|---|---|
| Taco Bell (Class 42) | 0,820,073 | 12/06/1966 |
| Taco Bell within Tumbling Blocks (Class 42) | 0,856,207 | 09/03/1968 |
| Taco Bell (Class 30) | 0,879,582 | 10/28/1969 |
| Burrito Supreme (Class 29) | 1,050,189 | 10/12/1976 |
| Bell Design No. 2 (Class 42) | 1,322,737 | 02/26/1985 |
| Taco Bell and Bell Design No. 2 in 1984 Logo (Class 43) | 1,322,738 | 02/26/1985 |
| Taco Bell in 1984 Logo Distinctive Lettering (Class 42) | 1,322,739 | 02/26/1985 |
| Bell Design No. 2 in color (Class 42) | 1,330,236 | 04/09/1985 |
| Soft Taco Supreme (Class 30) | 1,551,516 | 08/08/1989 |
| MexiMelt (Class 30) | 1,528,496 | 03/07/1989 |
| The Bell (Class 42) | 1,765,386 | 04/13/1993 |
| Taco Bell (Class 30) | 1,874,786 | 01/17/1995 |
| Taco Supreme (Class 30) | 1,920,011 | 09/19/1995 |
| Taco Bell (Class 42) | 1,924,335 | 10/03/1995 |
| Bell Design No. 6 (Class 42) | 2,006,124 | 10/08/1996 |
| Double Decker (Class 30) | 2,090,212 | 08/19/1997 |
| Taco Bell and Bell Design No. 6 Logo No. 2 (Class 42) | 2,105,501 | 10/14/1997 |
| Taco Bell and Bell Design No. 6 Logo No. 1 (Class 29) | 2,105,502 | 10/14/1997 |
| Taco Bell (Class 30) | 2,114,014 | 11/18/1997 |
| Taco Bell and Design No. 7 (in color) (Class 30, 43) | 2,816,454 | 02/24/2004 |
| Double Decker (Class 30) | 2,860,026 | 06/07/2004 |
| Think Outside The Bun with Taco Bell and Bell Design No. 7 (Class 30, 43) | 3,020,103 | 11/29/2005 |
| Think Outside The Bun (Class 30, 43) | 3,020,149 | 11/29/2005 |
| Crunchwrap Supreme (Class 30) | 3,102,200 | 06/06/2006 |
| Crunchwrap (Class 30) | 3,108,135 | 06/20/2006 |
| Taco Bell (in color) (Class 43) | 3,501,311 | 09/16/2008 |
| Taco Bell (Class 36) | 3,676,436 | 03/05/2009 |
| Bell Design No. 6 (in color) (Class 43) | 3,629,938 | 06/02/2009 |
| Feed the Beat (Class 35,41) | 3,735,825 | 01/12/2010 |
| Bong (Sound Mark) (Class 43) | 3,736,968 | 01/12/2010 |
| Taco Bell & Bell Design No. 7 (Class 9) | 4,102,936 | 02/21/2012 |
| Happier Hour (Class 32) | 4,238,926 | 02/21/2012 |
| GCTB (Class 9, 35) | 4,176,296 | 07/17/2012 |
| Live Más (Class 43) | 4,243,633 | 11/13/2012 |
| Bell Design with Mission Window (Class 43) | 4,295,975 | 02/26/2013 |
| Taco Bell & Bell Design #7 with Live Más Horizontal (Class 43) | 4,382,469 | 08/13/2013 |
| Loaded Grillers (Class 30) | 4,468,046 | 01/14/2014 |
| $1 Cravings Menu (Class 43) | 4,465,403 | 01/14/2014 |
| Happier Hour (Class 32) | 4,651,267 | 12/09/2014 |
| Bell Design No. 6 (Class 43) | 4,682,267 | 02/03/2015 |
| Taco Bell (Class 29, 30, 32 & 43) | 4,780,421 | 07/28/2015 |
| Taco Bell and Bell Design No. 7 (in Color) (Class 43) | 4,873,041 | 12/22/2015 |
| Cantina Power Menu (Class 43) | 4,909,527 | 03/01/2016 |
| Taco Bell and Bell Design #7 with LIVE MÁS Vertical (Class 43) | 4,923,059 | 03/22/2016 |
| TA.CO with Mission Window Design | 4,964,550 | 05/24/2016 |
| Quesalupa (Class 30) | 5,037,135 | 09/06/2016 |
| Wake Up Live Más with Taco Bell & Bell Design No. 6 Version 2 (Class 43) | 5,068,972 | 10/25/2016 |
| Taco Bell Explore (Class 35) | 5,073,835 | 11/01/2016 |

| | | |
|---|---|---|
| Live Más (with accent over “A”) (Class 25) | 5,146,760 | 02/21/2017 |
| Your Dream On Our Dime (Class 36) | 5,128,967 | 08/11/2017 |
| Taco Bell Cantina (Logo) (Class 43) | 5,365,441 | 12/26/2017 |
| Nachos BellGrande (Class 30) | 5,437,137 | 04/03/2018 |
| TACO BELL & Bell Design No. 8 in color (Class 43) | 5,592,983 | 10/30/2018 |
| Crunchwrap (Class 30) | 5,961,689 | 01/14/2020 |
| Steal A Base, Steal A Taco (Class 41) | 6,029,220 | 04/07/2020 |
| Taco Bell (Class 9) | 6,051,763 | 05/12/2020 |
| Taco Bell (Class14,25) | 6,082,094 | 06/16/2020 |
| Triplelupa (Class 30) | 6,092,678 | 06/30/2020 |
| Whip Freeze stylized (Class 32) | 6,176,985 | 10/13/2020 |
| Cravings Pack (Class 30) | 6,245,606 | 01/12/2021 |
| Bell Stop (Class 43) | 6,328,911 | 04/20/2021 |
| Taco Night (Class 29) | 6,523,161 | 10/19/2021 |
| Taco Bell (Class 21,25, 26, 28) | 6,564,428 | 11/16/2021 |

There are also trademarks that have been applied for by the Company but have not yet been registered. Those marks are as follows:

| **Mark** | **Application No** | **Application Date** |
|---|---|---|
| Fourthmeal | 88493414 | 06/28/2019 |
| Popperpeño (class 29,30) | 88601870 | 09/03/2019 |
| Steak Firecracker Fries (Class 29) | 88656080 | 10/16/2019 |
| Crispy Tortilla Cheese Popper (Class 29) | 88693971 | 11/15/2019 |
| Live Más (Class 30,32) | 88802901 | 02/19/2020 |
| Go Mobile (Class 9, 29, 30 & 43) | 90144967 | 08/28/2020 |
| Cantina & Bell Design logo #8 (Class 29, 30 & 43) | 90222457 | 09/30/2020 |
| Taco Bell (Class 18, 21, 25, 26 & 28) | 90281307 | 10/27/2020 |
| Crispanada (Class 30) | 90562532 | 03/05/2021 |
| Crispy Cheese Poppers (Class 29) | 90578792 | 03/15/2021 |
| Cheese Popper Nacho Fries (Class 29) | 90578794 | 03/15/2021 |
| Taco Moon (Class 43) | 90603856 | 03/25/2021 |
| Crave-A-Bell (Class 29, 30, 43) | 90608969 | 03/29/2021 |
| Enchirito (Class 30) | 90660208 | 04/21/2021 |
| Worth The Wake (Class43) | 90660210 | 04/21/2021 |
| House of Supreme (Class43) | 90660213 | 04/21/2021 |
| Cravetarian (Class 29, 30, 43) | 90664442 | 04/22/2021 |
| Taco Lover’s Pass (Class 9, 35) | 90825313 | 07/13/2021 |
| Mercury Retrogrande Nachos Box (Class 30) | 90845896 | 07/23/2021 |
| Taco Bell Defy (Class43) | 90862520 | 08/03/2021 |
| Go Mobile (Class 29, 30, 43) | 90975931 | 08/28/2020 |
| Ambition Accelerator (Class 35, 36) | 97101966 | 11/01/2021 |
| Taco Bell Design #8 (Class 29, 30) | 97115292 | 11/09/2021 |
| Drive-Thru Dialogues (Class 41) | 97171518 | 12/14/2021 |

**Updated 3/3/2022**

# EXHIBIT “C”

## BILL OF SALE

WHEREAS, pursuant to an Agreement for Purchase and Sale of Certain Assets and Franchises dated as of _____, 20__, (the "Agreement") among _____ a _____("Seller"), and _____, a _____ ("Purchaser"), and _____, Seller has agreed to sell, assign, transfer, convey and deliver to Purchaser all right, title and interest of Seller in certain assets, properties and rights used or available for use by Seller in its ownership and operation of the Taco Bell Restaurants described in Exhibit "A" of the Agreement (the "Restaurants") as the same exist at the close of business on _____, 20__ (the "Closing Date") for consideration in accordance with the Agreement.

**I.** NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS THAT Seller for good and valuable consideration, receipt of which is hereby acknowledged, and pursuant to the Agreement, does hereby sell, assign, transfer, convey and deliver unto Purchaser all right, title and interest of Seller in and to the following items listed below (the “Operations Assets”):

i. Inventory of food and paper products ("Inventory");

ii. Uniforms and supplies ("Supplies");

iii. Furniture, fixtures, equipment and other personal property items located at (and used to operate) the Restaurants (“Equipment”); and

iv. Operating cash in the cash registers at the Restaurants at close of business on the Closing Date.

TO HAVE AND TO HOLD all said Operations Assets, properties and rights unto Purchaser and its successors and assigns forever.

**II.** Seller hereby represents and warrants that title to the acquired Operations Assets is free and clear and unencumbered except as indicated in Section III hereinbelow, and Seller undertakes to defend such title as vested by reason of this sale in Purchaser and Purchaser's successors and assigns against any and all claims whatsoever the successful assertion of which would constitute a breach of Seller's covenants, representations or warranties set forth in the Agreement, so long as such claim is served on Seller within one year from this date. Except for the representations and warranties expressly set forth herein, none of the Operations Assets, properties or rights conveyed hereby is conveyed with any warranty, express or implied, whether as to title, merchantability, condition, utility or fitness for any particular purpose whatsoever.

III. This Bill of Sale is given subject to the following Restrictive Covenants.

**Financing Restrictions**. During the three (3) year period following the Closing Date, Purchaser shall not pledge all or substantially all of the Operations Assets (as used herein, the “Offered Assets”) herein conveyed as security under any subsequent financing or refinancing or restructuring of the debt created at the time the transfer from Seller to Purchaser, without the prior written consent and approval of Seller, which Seller may withhold in its sole and absolute discretion, which approval shall be subject to certain terms and conditions and requirements of Seller as provided in the Agreement.

**Resale and Sale-Leaseback Restriction**. During the five (5) year period following the Closing Date, without the prior written consent of Seller, which consent may be withheld by Seller in Seller’s sole and absolute discretion, Purchaser (or the successor in interest to Purchaser, if any) will not (A) transfer Offered Assets to any person or entity, or (B) permit the direct or indirect transfer of any interest in the Offered Assets (e.g. by transfer of ownership interests in Purchaser, or any affiliate of the Purchaser that owns an interest (directly or indirectly) in the Offered

Assets), or (C) engage in any Sale-Leaseback Transaction (as that term is defined in the Agreement) with respect to the Offered Assets.

**Right of First Offer**. Purchaser further agrees and covenants that during the five (5) year period from and after the Closing Date, if Purchaser (or the successor in interest to Purchaser, if any) intends to sell or otherwise transfer of any or all of the Offered Assets (a "Resale"), Purchaser must offer in writing to sell to Seller the Offered Assets at the same (allocated) price paid by Purchaser as provided in the Agreement without any adjustment before proposing any sale or transfer of any or all of the Offered Assets to any third-party or affiliate of Purchaser (the "Right of First Offer"). Seller shall have a commercially reasonable period of time, not to exceed thirty (30) days, to evaluate such offer and inspect the same and to either elect to purchase such Offered Assets or waive such Right of First Offer in writing. If Seller fails to exercise such right to purchase such Offered Assets as identified in writing from Purchaser within said thirty (30) days, Purchaser may proceed to sell such Offered Assets to a third-party but at a sale price not less than that as contained in the notice and offer to sell provided to Seller. Further, any waiver or election by Seller not to exercise such right to purchase such Offered Assets shall not waive, nor be deemed to be a waiver of, Seller's rights hereunder which shall continue through said five (5) year period with respect to any subsequent offers to sell any of the Offered Assets.

If Seller does not exercise its right to purchase the Offered Assets and Purchaser proceeds to sell the Offered Assets at any time during the five (5) year period from and after the Closing Date to any third-party in a bona fide transfer for at least full fair market value, Purchaser (or the successor in interest to Purchaser at such time) shall pay to Seller an amount equal to one-half (½) of the difference between the Resale purchase price for such Offered Assets and the Purchase Price allocated to such Offered Assets as identified in the Agreement.

All capitalized words herein not specifically defined shall have the meanings attributed to them in the Agreement.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be duly executed as of the Closing Date.

**SELLER:**

_____
a _____
By: _____
Name: _____
Its: _____

## EXHIBIT "D"

# GENERAL RELEASE

This General Release ("this Release") is made effective _____, _____, by the undersigned _____, a _____ corporation, (“Purchaser”) and _____, _____ and _____ ("Member/Shareholder").

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchaser and Shareholder hereby waive, release, and forever discharge Taco Bell Franchisor, LLC, a Delaware limited liability company, and its officers, directors, employees, agents, attorneys and representatives, as well as parent corporations, subsidiaries, affiliates and any other legal entities which it owns or controls, individually or jointly, from any and all claims, demands, liabilities or causes of action in law or in equity of whatsoever nature arising prior to and including the date hereof, known or unknown, suspected or unsuspected, which Purchaser and Shareholder now have or may hereafter have by reason of any act, omission, event, deed or course of action having taken place, or which should have taken place, or on account of, arising out of, or related to any franchise or lease agreement or any other agreement between Purchaser and Shareholder or any of them and the released party or parties, except for any breach of that certain Agreement for Purchase and Sale of Certain Assets and Franchises dated _____, 20__, and except as prohibited by law, including claims arising from representations in Taco Bell Franchisor, LLC’s Franchise Disclosure Document, and any exhibits or amendments thereto.

It is expressly acknowledged by each of the undersigned that any and all rights granted under Section 1542 of the California Civil Code and any similar laws of other states are hereby expressly waived. Such statute reads as follows:

> **"Section 1542.**
> **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."**

THIS SPACE INTENTIONALLY LEFT BLANK-SIGNATURES ON NEXT PAGE

**IN WITNESS WHEREOF** each of the parties either personally or through its duly authorized signatory, as applicable, has executed this Release effective as of the day first written above.

**PURCHASER**

**_____**
**a _____ corporation**

**By: _____**
**Name: _____**
**Its: _____**

**MEMBER/SHAREHOLDERS**

**_____**
**Name: _____**
**_____**

# EXHIBIT “E”

## FORM OF OPINION LETTER

_____, 20__

_____
1 Glen Bell Way
Irvine, CA 92618

Re: Purchase of Taco Bell Unit Nos. _____

Ladies and Gentlemen:

I am an attorney with _____ and have provided counsel in connection with the transaction contemplated by the Agreement for Purchase and Sale of Certain Assets and Franchises dated as of _____, 20__ (the "Purchase Agreement"), entered into among _____, a _____ _____ ("Seller"), _____, a _____ corporation ("Purchaser") and _____ (collectively, ["Shareholders" or “Members”]

In connection with my representation of the Purchaser and Shareholders, I have reviewed copies, identified to my satisfaction, of the Purchase Agreement and such other documents, certificates, instruments and agreements as in my judgment are necessary and appropriate to enable me to render this opinion. In addition, I have examined such other documents as I deem relevant for rendering this opinion, and I have conducted such other inquiries and examinations as I deem necessary and appropriate for rendering this opinion.

Based on the foregoing, I am of the opinion that:

(A) Purchaser is a [corporation or limited liability company] duly formed, validly existing in good standing as a [corporation or limited liability company] authorized to do business in the State of _____, has full power and authority to carry out and consummate all transactions contemplated by the Purchase Agreement and has duly authorized the taking of any and all actions necessary to carry out and consummate the transactions contemplated to be performed on its part by the Purchase Agreement.

(B) The Purchase Agreement and such other documents executed by Purchaser and [Shareholders or Members] in connection with this transaction (the "Purchase Documents") constitute the legal, valid and binding obligations of Purchaser and [Shareholders or Members], enforceable against Purchaser and [Shareholders or Members] in accordance with their respective terms.

(C) No consent, approval, order, authorization, registration, declaration or designation of or filing with any governmental authority is required in connection with the authorization, execution, delivery or performance by Purchaser or any [Shareholder or Member] of the Purchase Documents.

(D) There are no suits, actions, proceedings or investigations pending or, to the best of my knowledge, threatened against or involving Purchaser or any [Shareholder or Member], before any court, arbitrator or administrative or governmental body which could adversely affect Purchaser's or [Shareholders' or Members’] ability to perform their respective obligations under the Purchase Documents or which might reasonably result in any claim, lien or attachment against the purchase funds to be delivered by Purchaser to Seller at Closing.

(E) Neither Purchaser nor any [Shareholder or Member] is, and the execution, delivery and performance of the Purchase Agreement and the documents, instruments and agreements provided for therein, will not result, in a breach of or default under: (i) any other document, instrument or agreement to which Purchaser or any [Shareholder or Member] is a party or by which Purchaser, any [Shareholder or Member] or any of their respective property is subject or bound; or (ii) any law, statute, ordinance, judgment, order, writ, injunction, decree, rule or regulation of any court, administrative agency or other governmental authority, or any determination or award of any arbitrator, by which Purchaser, any [Shareholder or Member], or any of their respective property is subject or bound.

My opinion set forth above is limited to the laws of the State of _____ and to federal law of the United States of America.

This Opinion of Counsel is being delivered to you pursuant to the Purchase Agreement and should not be relied upon by any third party.

Very truly yours,

# EXHIBIT "F"

## ASSIGNMENT AND ASSUMPTION OF LEASE

This instrument prepared by:
[BRAND AND ADDRESS]

Upon recordation return to:
[TITLE COMPANY]

Order No.:
Escrow No.:

APN:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

THE UNDERSIGNED GRANTOR(S) DECLARE(S):

Re: Store #

---

**ASSIGNMENT AND ASSUMPTION OF LEASE**
**FOR STORE #_____**

This Assignment and Assumption of Lease (this "Agreement") is made and entered into as of _____ ____, 20__ by and between [ASSIGNOR], a Delaware [corporation][limited liability company] ("Assignor"), and [PURCHASER] a [Delaware] [corporation/limited liability company] ("Assignee"). This Agreement is being entered into in connection with that certain Asset Purchase Agreement dated _____ ____, 20__ (the "Asset Purchase Agreement"), by and among Assignor, Assignee and [OTHER PARTIES TO APA]. This Agreement shall become effective on _____ ____, 20__ (the "Effective Date").

**RECITALS**

WHEREAS, pursuant to a lease dated [DATE] (the "Lease"), [LANDLORD] ("Landlord") leased to Assignor certain real property together with any leasehold improvements and fixtures located thereon generally known as Taco Bell Store #_____, located at [ADDRESS] and more particularly described in the Lease and on **Exhibit A** hereto (the "Premises"); and

[WHEREAS, the Lease is evidenced in the public records by a Memorandum of Lease]; and

WHEREAS, Assignor desires to assign to Assignee and Assignee desires to assume from Assignor all of Assignor's rights, title, interest and liabilities in, to and under the Lease.

NOW, THEREFORE, in consideration of the mutual promises herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment. Subject to the terms of this Agreement and as of the Effective Date, Assignor hereby grants, assigns, transfers and conveys to Assignee, its successors and assigns, all of Assignor's rights, title, interest and liabilities in, to and under the Lease.

2. Assumption. Subject to the terms of this Agreement and as of the Effective Date, Assignee hereby assumes all of Assignor's rights, title, interest and liabilities in, to and under the Lease and becomes liable for the full and timely performance of all obligations, liabilities and covenants arising under the Lease, as the Lease may be amended after the Effective Date. Assignee accepts the Premises in "as is" condition.

3. Covenants of Assignee. Assignee covenants and agrees that until Assignor is fully and finally released from all obligations under the Lease:

A. Assignee shall not assign, sublease or otherwise transfer any of its right, title or interest in the Lease to any other person or entity without Assignor's prior written consent, which consent may be withheld in Assignor's sole discretion.

B. Assignee shall not amend, extend, exercise any option or modify any term or condition of the Lease, without the prior written consent of Assignor, which consent may be withheld in Assignor's sole discretion.

C. Assignee shall indemnify, defend and hold harmless Assignor and its Affiliates (as defined in the Asset Purchase Agreement), subsidiaries, employees, officers, directors, and agents from and against any and all claims and liabilities arising from matters relating to the Lease or the Premises after the Effective Date.

D. Notwithstanding any provision in the Lease to the contrary, Assignee shall use the Premises solely as permitted under the applicable Franchise Agreement(s) (as defined in the Asset Purchase Agreement).

4. Terms of the Asset Purchase Agreement. The representations, warranties, covenants, indemnities and agreements of Assignee contained in the Asset Purchase Agreement are incorporated herein by this reference. Such representations, warranties, covenants, indemnities and agreements shall not be superseded but shall remain in full force and effect to the full extent provided therein. In the event of any conflict or inconsistency between the terms of the Asset Purchase Agreement and the terms hereof, the terms of the Asset Purchase Agreement shall govern.

5. Default Under the Terms of this Agreement. In the event of a default under the terms of this Agreement, Assignor may, in its sole discretion, without waiving such default, either in person or by agent, nominee or attorney, with or without bringing any action or proceeding, or by a receiver appointed by a court, declare the Assignee's right, title and interest in, to and under the Lease and the Premises to be terminated, effective immediately upon delivery of notice to Assignee from Taco Bell Franchisor, LLC, a Delaware limited liability company, which is the franchisor and Assignor's affiliate. Upon delivery of such notice, all rights of Assignee under the Lease and this Agreement shall cease, and Assignor shall be entitled to immediate possession of the Premises and all books, records and accounts relating thereto and to exclude Assignee and its agents and employees therefrom, without liability for trespass or damages. Assignor may thereafter manage, operate or lease the Premises on such terms and for such period of time as Assignor may deem proper and consistent with the terms of the Lease. If Assignee does not vacate the Premises upon receipt of such notice, Assignee's status in respect to the Premises shall be that of a trespasser, and Assignor shall have the rights available to a lessor to evict and remove Assignee from the Premises and to collect damages in respect of the trespass. The receipt by Assignee of notice from Assignor shall not, however, relieve Assignee of its obligation under Section 2 hereof to assume the liabilities and obligations of Assignor under the Lease affected by this Agreement and to indemnify Assignor and its Affiliates, subsidiaries, employees, officers, directors, and agents in respect to such liabilities and obligations.

6. Bankruptcy, Foreclosure or Receivership. Assignor, in its sole discretion, may, without penalty or fee, immediately terminate this Agreement and all of Assignee's rights, title and interest in, to and

under the Lease in the event (1) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of Assignee or its parent company or either of their respective debts, or of a substantial part of either of their respective assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Assignee or its parent company or for a substantial part of either of their respective assets or (2) Assignee or its parent company shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law or (ii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for itself or for a substantial part of either of their assets or (iii) make a general assignment for the benefit of creditors.

7. Governing Law. This Agreement shall in all respects be deemed to be made under, construed in accordance with and governed by, the substantive laws of the [COMMONWEALTH OF KENTUCKY], without regard to conflicts of law provisions thereof.

8. Successors and Assigns; Third-Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors in interest and assigns. Nothing contained in this Agreement shall be deemed to confer upon any person, other than the parties hereto and their respective successors and permitted assigns, any rights, remedies, claims, causes of action or obligations under, or by reason of this Agreement.

9. Execution in Counterparts. This Agreement may be executed in any number of counterparts; each such counterpart, when executed by all parties, shall be deemed to constitute one and the same instrument and shall be deemed an original hereof. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto.

10. Integrated Transaction. Notwithstanding any provision in this Agreement or in any other agreement between them, Assignor and Assignee severally and collectively intend, acknowledge and agree that this Agreement and the Lease, on the one hand, and the Asset Purchase Agreement and the Franchise Agreement(s) (as defined in the Asset Purchase Agreement), on the other hand (collectively, the "Integrated Agreements") do and shall be deemed to constitute one single, integrated transaction and agreement and they shall not be severed or severable from one another or for any purpose. The parties intend and agree as aforesaid notwithstanding the fact that: (i) the Integrated Agreements may be executed at different times by different parties; (ii) different consideration may be apportioned among the Integrated Agreements; (iii) the Integrated Agreements may provide that they are assignable; and (iv) the Integrated Agreements may have terms or durations of varying lengths. Assignee acknowledges and agrees that Assignor would not have entered into this Agreement absent Purchasers' execution of and performance under all of the Integrated Agreements.

THIS SPACE INTENTIONALLY LEFT BLANK-SIGNATURES ON NEXT PAGE

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first set forth above.

ASSIGNOR:

[ASSIGNOR],
a Delaware [limited liability company][corporation]

By: _____
Name: _____
Title: _____

State of Kentucky )
) SS
County of Jefferson )

On _____ ____, 20___ before me, _____ (name of notary) a notary public, personally appeared, _____, _____ of [ASSIGNOR], a Delaware [limited liability company][corporation], personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity and that by his/her signature on the instrument the entity upon behalf of which the person acted, executed the instrument.

_____
Notary Public
SEAL Printed Name: _____
My Commission Expires: _____

ASSIGNEE:

By: _____
Name:_____
Title: _____

State of _____ )
) SS
County of _____ )

On _____ ____, 20__ before me, _____ (name of notary) a notary public, personally appeared, _____, _____ of _____, a _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity and that by his/her signature on the instrument the entity upon behalf of which the person acted, executed the instrument.

SEAL

_____
Notary Public
Printed Name: _____
My Commission Expires: _____

# EXHIBIT "G"

## FORM OF MARKET BUILD OUT AGREEMENT

MARKET BUILD OUT AGREEMENT

This Market Build Out Agreement (the "Agreement") is made and entered into on _____ (the "Effective Date"), by and among _____ ("Franchisee") and Taco Bell Franchisor, LLC, a Delaware limited liability company ("Taco Bell").

WHEREAS, Franchisee has entered into an Agreement for the Purchase and Sale of Certain Assets and Franchises dated _____("Purchase Agreement") with Taco Bell pursuant to which Franchisee has agreed to purchase the Taco Bell restaurants listed on Exhibit A attached thereto ("Purchased Restaurants").

WHEREAS, upon signing of the Purchase Agreement, Taco Bell and Franchisee also entered into separate Taco Bell Franchise Agreements for each of the Purchased Restaurants.

WHEREAS, the parties have identified one or more territories ("Development Territory") as further defined in Section 3 below, that Taco Bell and Franchisee agree have potential for development of one or more Taco Bell Restaurants (each, a "New Restaurant") as further defined in Section 3 below.

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Taco Bell for each New Restaurant within the Development Territory within the time frames set forth in the Development Schedule, as further defined in Section 3 below.

WHEREAS, Taco Bell, subject to the terms and conditions of this Agreement, is willing to enter into a Franchise Agreement with Franchisee for each New Restaurant within the Development Territory within the time frames set forth in this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, in the Franchise Agreement and in the Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Taco Bell and Franchisee agree as follows:

1. RECITALS. The foregoing recitals are hereby incorporated into and made a part of this Agreement.

2. TERM. The term ("Term") of this Agreement shall begin on the Effective Date and, except pertaining to Section 8, shall end [insert end date of last Time Period] (the "Expiration Date"), although as specifically provided herein, certain rights may expire or may be terminated earlier.

3. DEFINITIONS. The following capitalized terms shall have the following meanings for the purpose of this Agreement:

   A. "Acquired Restaurants" shall mean and refer to Taco Bell Restaurants (including multi-brand restaurants) that are purchased by Franchisee from Taco Bell, an affiliate of Taco Bell, or from another franchisee.

   B. "Cumulative Net New Restaurants" means the number of New Restaurants that Franchisee opens to the public in the specified time period set forth on the attached Schedule "A" (each a "Time Period") minus the number of Taco Bell Restaurants that Franchisee permanently closes during the same Time Period. Cumulative Net New Restaurants do not include (i) Taco Bell Restaurants that are open before the beginning of the specified Time Period; or (ii) Taco Bell Restaurants that are opened after the end of the specified Time Period.

   C. "Development Schedule" shall mean and refer only to the Cumulative Net New Restaurants development schedule set forth in Schedule "A" attached hereto.

D. "Development Territory" shall mean and refer only to the territories identified on Schedule "B" attached hereto.

E. "Franchise Agreement" shall mean and refer to the then-current franchise agreement form that Taco Bell issues for its traditional Restaurants or the then-current license agreement form that Taco Bell issues for its non-traditional or "Express" Restaurants, as is appropriate.

F. "New Restaurant" shall mean and refer only to a then-currently approved design of a freestanding or inline Taco Bell prototype restaurant. For purposes of this Agreement and the Development Schedule, a New Restaurant shall not include any of the following: (i) Multi-Brand Units; (ii) Taco Bell restaurants which, according to Taco Bell's Successor Policy, are Successor Units to existing restaurants; (iii) any Taco Bell restaurant for which Franchisee receives any type of financial or other type of incentive; (iv) Acquired Restaurants.

4. APPROVAL AND QUALIFICATION OF SITES. Each New Restaurant to be developed hereunder shall be subject to Taco Bell's prior express written approval in accordance with Taco Bell's then-current standard procedures for site approval and will be operated pursuant to a Franchise Agreement on Taco Bell's then current standard form for new, free-standing or inline restaurants, as applicable, to be issued to Franchisee prior to opening the New Restaurant. Moreover, except as expressly provided herein to the contrary, Franchisee and Taco Bell shall operate in accordance with standard procedures for development within the Taco Bell System as promulgated by Taco Bell from time to time and Franchisee agrees to abide by and faithfully adhere to the terms of each Franchise Agreement for each New Restaurant.

5. TIME IS OF THE ESSENCE. Franchisee's timely performance of its obligations under this Agreement is of material importance and is of the essence to this Agreement.

6. NO EXCLUSIVITY. There is no exclusivity granted to Franchisee by this Agreement. Taco Bell expressly reserves for its own use and the use of others, including but not limited to other current and prospective franchisees, all rights to use and develop any Taco Bell restaurants. Such reservation of rights includes the right to use, develop and/or transfer any Taco Bell restaurant and other operations, products, services, methods and points of distribution of any and all sorts. Franchisee's rights granted in this Agreement are expressly made subject to the existing rights of third parties, including but not limited to existing approvals and pending applications, to successor franchises (including but not limited to offsets) for existing and approved locations, and to currently approved Taco Bell operated locations.

7. DEVELOPMENT SCHEDULE, RIGHTS AND OBLIGATIONS. Subject to the terms and conditions herein and further subject to Franchisee remaining financially and operationally approved for growth by Taco Bell, for so long as this Agreement is in effect and Franchisee is not in default under the terms of this Agreement, any Taco Bell Franchise Agreement, or any other agreement with Taco Bell, Franchisee will have the right and obligation to execute a Franchise Agreement for and commence operations of a New Restaurant within the Development Territory according to the Development Schedule, the exact locations of each New Restaurant within the Development Territory to be subject to Taco Bell's express written approval.

   A Cumulative Net New Restaurant will be considered timely "Developed" within the specified Time Period if: (i) the Cumulative Net New Restaurant is within the Development Territory; (ii) is opened within the specified Time Period designated on the Development Schedule attached hereto as Schedule "A;" (iii) the Franchise Agreement has been signed by Franchisee and Taco Bell; (iv) the initial franchise fee has been paid; and (v) the Cumulative Net New Restaurant has commenced operations in accordance with the Franchise Agreement governing such New Restaurant. Franchisee agrees to use its commercially reasonable efforts and to take all steps and actions reasonably necessary to fully and timely satisfy its development obligation (the "Cumulative Net New Restaurants Development Obligation"). Failure to meet any deadline set out in Schedule "A" shall cause the

monetary sums set forth in paragraph 8 to be due and payable to Taco Bell immediately and without demand.

8. CUMULATIVE NET NEW RESTAURANTS DEVELOPMENT OBLIGATION DEVELOPMENT FEE.

A. In consideration of Taco Bell's execution of this Agreement, Franchisee agrees to pay Taco Bell a development fee calculated by multiplying the aggregate number of New Restaurants which Franchisee is required to develop and operate hereunder by the sum of $45,000 ("Development Fee"). The Development Fee is payable in full when Franchisee signs this Agreement and will be fully earned when paid. Taco Bell will not refund the Development Fee in whole or in part, under any circumstance. Taco Bell will credit the portion of the Development Fee attributable to a New Restaurant – that is, $45,000 – against the initial fee for such New Restaurant so long as such New Restaurant is opened within the applicable Development Territory during the Term.

B. For each Cumulative Net New Restaurant that is not developed on or before the Opening Date, Franchisee agrees to pay to Taco Bell $4,231 ("Period Sum") for each four or five week accounting period of Taco Bell's pertinent financial calendar ("Accounting Period") starting on the Opening Date. ("Opening Date" as used herein means the last day of the Time Period in which the New Restaurant is to be opened.) Each payment of a Period Sum shall be made by Franchisee within seven (7) days after the last day of that Accounting Period to which it applies. For each New Restaurant not opened on or before the Opening Date, the Period Sum shall be paid by Franchisee until the earlier of i) the date that the New Restaurant actually opens in such Development Territory or ii) 10 years after the Opening Date. For each New Restaurant opened in the middle of an Accounting Period, Franchisee shall pay a pro-rated Period Sum for that portion of the Accounting Period occurring after the New Restaurant's opening. Franchisee shall not be entitled to a reimbursement of any amount paid as a Period Sum.

Franchisee and Taco Bell agree that Taco Bell would be significantly damaged if Franchisee fails to timely and fully meet its Cumulative Net New Restaurants Development Obligation. Franchisee and Taco Bell also agree that measuring the precise amount of this damage would be very difficult and costly. Franchisee and Taco Bell agree that the Period Sum is a fair and reasonable approximation of what Taco Bell's damage would be.

9. FAILURE TO COMPLY WITH CONDITIONS.

A. If Franchisee fails to:

i) meet Taco Bell's financial and operational criteria for development in accordance with Taco Bell's then-current policies, procedures and standards; or

ii) remain in good standing as a Taco Bell franchisee, as determined by Taco Bell in accordance with its then-current policies, procedures and standards; or

iii) make any payment due under Section 8 of this Agreement and does not cure such breach within ten (10) days of written demand from Taco Bell,

Taco Bell shall be entitled to terminate this Agreement and Franchisee shall be required to pay to Taco Bell, within five (5) days of written demand, all amounts that would be due under Section 8 of this Agreement at or prior to the Expiration Date, or such later date as may be specified in Section 8.B., if no New Restaurants were developed after such termination.

10. DISPUTE RESOLUTION.

A. Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the

scope or applicability of this Agreement to arbitration, shall be determined by arbitration in Irvine, California before three (3) arbitrators. The arbitration shall be administered by JAMS, or any successor thereto, pursuant to its then-current Comprehensive Arbitration Rules and Procedures. The Award and decision shall be conclusive and binding upon the parties. Judgment on the Award may be entered in any court having jurisdiction thereof, and the parties hereby waive all objections which they may have at any time to the laying of venue of any proceedings brought in such courts, waive any claim that such proceedings have been brought in an inconvenient forum, and further waive the right to object with respect to such proceedings that any such court does not have jurisdiction over such party. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

B. Within 15 days after the commencement of arbitration, each party shall select one person to act as arbitrator, and the two so selected shall select a third arbitrator within 30 days of the commencement of the arbitration. If the arbitrators selected by the parties are unable or fail to agree upon the third arbitrator within the allotted time, the third arbitrator shall be appointed by JAMS in accordance with its rules. The parties desire that the arbitrators will be attorneys familiar with franchising matters. All arbitrators shall serve as neutral, independent and impartial arbitrators.

C. This Agreement; all relations between the parties; and any and all disputes between Franchisee and Taco Bell, whether such dispute sounds in law, equity or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement is not enforceable under the laws of New York, and if Franchisee's franchised business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised business is located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. This Section is not intended to invoke, and shall not be deemed to invoke, the application of any franchise, business opportunity or similar law of the State of New York which would not otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law.

D. The Federal Rules of Evidence will apply to any arbitration proceeding conducted under this Agreement. The arbitrators will not have the authority or right to add to, delete, amend or modify in any manner the provisions of the Federal Rules of Evidence or the arbitration provisions of this Agreement. All testimony offered at any arbitration proceeding under this Agreement must be given under oath. No affidavits may be submitted into evidence unless and until the other party(ies) has had the opportunity to cross-examine the affiant under oath and on a transcribed record, or otherwise consents. All arbitration proceedings pursuant to this Agreement will be recorded, or taken down by a stenographer and transcribed, or both, for the purpose of obtaining subsequent review. Each arbitration decision rendered under this Agreement must be in writing; individually address and dispose of each claim and the relief granted to it; set forth a recital of facts and a legal analysis and the resulting rendition of the award relating to each such claim (if any); and, in general, be specific regarding the reasons underlying any and all determinations, awards or conclusions, including all principles of law applied.

E. The arbitrators will not have the authority or right to add to, delete, amend or modify the provisions of this Agreement or any agreement ancillary hereto. All findings, decisions and awards of the arbitrator will be limited to the dispute(s) set forth in the written demand for arbitration, and the arbitrator will not have the authority to decide any other issues. The arbitrator may not under any circumstance: (i) stay the effectiveness of any pending termination; (ii) assess punitive, speculative, or exemplary damages; (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by Taco Bell in good faith; (iv) compel Taco Bell to grant an additional license(s) to Franchisee for a claimed wrong; or, (v) to otherwise award any relief other than money damages and prohibitive injunctive relief (specifically excluding affirmative injunctive relief).

F. No findings, conclusions, orders or awards emanating from any arbitration proceeding conducted hereunder may be introduced, referred to or used in any subsequent or other arbitration proceeding as a precedent; to collaterally estop any party from advancing any claim, defense or from raising any like or similar issues; or, used for any other purpose whatsoever. The parties especially agree that the principles of collateral estoppel will not apply in any arbitration proceeding conducted hereunder.

G. Any arbitration will be brought on an individual, and not a class-wide basis; provided, however, that Taco Bell will have the right to petition the arbitrator to consolidate this proceeding with any previously filed pending arbitration proceeding, and the arbitrator will consolidate such proceedings if they determine that the proceedings involve common issues of law and fact that predominate over any questions solely affecting the individual franchisees, and such consolidation will not materially delay or cause undue hardship to the franchisees who are parties to the already pending proceeding.

H. Notwithstanding the foregoing, the following disputes and controversies between Taco Bell and Franchisee will not be subject to arbitration but will be subject to litigation in accordance with Section 10(J) below: (i) any dispute involving payment of any amounts due Taco Bell; (ii) any dispute involving immediate termination of this Agreement; or (iii) any judicial proceeding in equity seeking temporary restraining orders, preliminary injunctions or other interlocutory relief.

I. In any arbitration or action arising out of or related to this Agreement, the arbitrators or court shall award to the prevailing party, if any, the costs, attorneys' fees and arbitrators' fees reasonably incurred by the prevailing party in connection with the arbitration or action.

If the arbitrators or court determines a party to be the prevailing party under circumstances where the prevailing party won on some but not all of the claims and counterclaims, the arbitrators or court may award the prevailing party an appropriate percentage of the costs, attorneys' fees and arbitrators' fees reasonably incurred by the prevailing party in connection with the arbitration.

J. Subject to the provisions of Section 10(H) above, the parties agree to institute any litigation that they may commence arising out of or related to this Agreement exclusively in a court of competent jurisdiction which is either a federal or state court located in Orange County, California. The parties agree that any dispute as to the venue for any litigation they institute will be submitted to and resolved exclusively by either a federal court or state court located in Orange County, California and promise not to commence against the other any court proceeding concerning such matters in any other courts. The parties hereby waive and covenant never to assert or claim that this jurisdiction and venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

K. The parties shall maintain the confidential nature of the action or arbitration proceeding and the Award, and not to disclose any such information to any third party other than legal counsel, who Franchisee agrees to require to maintain the confidentiality thereof, except as may be necessary to prepare for or conduct the arbitration hearing or action on the merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an Award or its enforcement, or unless otherwise required by law or judicial decision.

11. MISCELLANEOUS.

A. None of Franchisee's rights or obligations herein is assignable.

B. The parties shall keep all of the terms of this Agreement strictly confidential, so long as this Agreement is in effect.

C. This Agreement may not be modified or amended except by a written document, signed by all parties, specifically referring to the portion of this Agreement being amended and modified.

D. All notices to be given hereunder shall be in writing and shall be deemed given when first received or tendered during normal business hours for the locale of the addressee at the appropriate address set forth below, or such other address as one party may hereafter provide to the other with not less than three (3) business days' notice.

If to Taco Bell:
Taco Bell Franchisor, LLC
1 Glen Bell Way
Irvine, CA 92618
Attn: General Counsel

If to Franchisee:

E. Terms of gender and captions as used in this Agreement are strictly for convenience and shall have no bearing on its construction.

F. No waiver by either party of any breach, default or unfulfilled condition shall be deemed a waiver of any subsequent or other breach, default or unfulfilled condition. No waiver shall be effective unless in writing and signed by an authorized signatory of the waiving party.

IN WITNESS WHEREOF, the parties hereto through their duly authorized signatories have caused this Agreement to be executed and delivered as of the Effective Date.

FRANCHISEE
[insert name of Franchisee]

By: _____

Title: _____

Date: _____

TACO BELL FRANCHISOR, LLC

By: _____

Title: President and Treasurer

Date: _____

Shareholders or Members of Franchisee

_____
[Type name]

Date: _____

**SCHEDULE "A"**
**DEVELOPMENT SCHEDULE**

| Time Period | Development Territory | Cumulative Net New Restaurants Required by End of Each Time Period |
|---|---|---|
| | | |
| | | |
| | | |

**SCHEDULE B**
**DEVELOPMENT TERRITORY**

Each of the following is a Development Territory:

# EXHIBIT “H”

## LAND AND BUILDING LEASE

**[Brand and store number - street address]**

This Land and Building Lease ("Lease") is made as of the _____ day of _____, 20__, by and between [LANDLORD], a Delaware limited liability company ("Landlord"), and _____, a _____ limited liability company ("Tenant"). This Lease is being entered into in connection with that certain [if PH: *Asset Sales Agreement]* [if TB/KFC: *Agreement for Purchase and Sale of Certain Assets and Franchises]* dated _____, 20__ (the “Asset *[Purchase/Sales]* Agreement”), by and among Landlord, [FRANCHISOR] LLC, a Delaware limited liability company (“Franchisor”), Tenant, and _____ (“Individually”).

It is AGREED between the parties hereto as follows:

1. DESCRIPTION OF PREMISES

Landlord hereby leases to Tenant, and Tenant leases from Landlord, on the terms and conditions hereinafter set forth, that certain real property (the "Land"), together with all improvements located thereon, including the building and any other structures and improvements located upon the Land, as more particularly described on attached **Exhibit "A"**, together with any rights arising under or subject to any reciprocal easement agreement, separate lease or sublease for any appurtenances or common area, adjacent area or additional property (collectively, “Common Areas”). The building and all additional improvements to the Land, including the restaurant building located thereon and the rights to use such Common Area (if any), are herein collectively referred to as the "Premises" and shall be and remain the property of Landlord throughout the Term (as defined below) of this Lease.

2. TERM

The initial term (“Term”) of this Lease shall be a period of **[twenty (20) years]** (the “Term”) commencing on _____, 20___ (the "Commencement Date") and ending _____, 20__ subject to earlier termination upon the expiration or earlier termination of the Franchise Agreement or a default of Tenant pursuant to the terms of Section 19 below or Tenant’s exercise of its option(s) to extend this Lease on the terms and conditions as provided under Section 4 below.

3. RENT

3.1 The fixed or base minimum rental (the “Rent”) which Tenant agrees to pay Landlord shall be as follows:

| Description | Start Date | End Date | Rent Freq | Monthly Rent |
|---|---|---|---|---|

[to be pasted from Rental Schedule]

3.2 Rent shall be paid, in advance, in equal monthly installments on the first day of each month during the Term hereof. Rent for any period which is less than one month shall be prorated on the basis of a thirty (30) day month. If the Commencement Date is other than the first day of the month, then on the Commencement Date Tenant shall pay the Rent for the period from the Commencement Date until the first day of the first full calendar month after the Commencement Date.

3.3 All Rent and other sums that Tenant is required to pay Landlord under the terms of this Lease are to be sent to Landlord at: **[Select appropriate brand]**

PHI
PO Box 955641
St. Louis, MO 63195-5641

Taco Bell
PO Box 203770
Dallas, TX 75320-3770

KFC
PO Box 203805
Dallas, TX 75320-3805

Telephone: 502.874.1000
Email: lease.accounting@yum.com

Ref: Store Number: _____ or such other place or address or electronically, as may be designated by Landlord from time to time.

3.4 All Rent and any other sums that Tenant is required to pay under this Lease are unconditional obligations of Tenant and are payable, in full, when due, without any setoff, abatement, deferment, deduction, or counterclaim. Any delinquent payment (meaning any payment that is not made within five (5) business days after the due date) will, in addition to any other remedy of Landlord, be subject to the Charges as set forth in Section 36 which shall be deemed to be additional rent and payable to Landlord on demand.

## 4. OPTION TO EXTEND

Provided that Tenant is not in default under this Lease beyond any applicable notice and cure periods as of each Exercise Date (as defined herein) and as of the commencement date of each Extension Period (as defined herein), and for so long as Landlord is an affiliate of YUM! Brands, Inc., a North Carolina corporation ("YUM! Brands") that Tenant has a valid Franchise Agreement from Franchisor covering the Premises for the duration of the Term and any Extension Period, Landlord grants to Tenant the option to extend the Term of this Lease for up to [**four (4) additional periods of five (5) years each]** (each an "Extension Period"). This Lease will automatically be deemed renewed for the next Extension Period unless Tenant gives prior written notice to Landlord at least 12 months prior to the end of the Term or the then current Extension Period (the "Exercise Date") stating that Tenant elects not to extend the Term. Upon the commencement of each Extension Period, all provisions of this Lease shall remain in full force and effect, except for Extension Period(s) already exercised, and Rent, which Rent shall

be increased to the following amounts for the years during each of the Extension Periods as follows:

| Description | Start Date | End Date | Rent Freq | Monthly Rent |
|---|---|---|---|---|

[to be pasted from Rental Schedule]

5. TAXES

In addition to the Rent above specified, Tenant agrees to reimburse and pay to Landlord upon demand any and all real estate taxes, assessments, duties, impositions and burdens levied or assessed upon the Premises and upon the buildings, appurtenances and improvements thereon, as well as its proportionate share of taxes on any Common Areas in the event the Premises are part of a shopping center (collectively, the "Taxes") as they become due under this Lease and without regard for the time period related thereto. If by law any Taxes may, at the option of the taxpayer, be paid in installments, Tenant may exercise that option, and pay the installments (including any additional amounts due because of such installment election) as they become due during the Term.

In addition, Tenant agrees to reimburse and pay to Landlord all sales, use or similar taxes based upon the amount of the Rent paid herein whether assessed to the Tenant, Landlord or a third party, such as the owner of property who has leased the property to Landlord, and Tenant agrees to hold Landlord free and harmless from payment of all of the same. If the amounts of such taxes are not paid by Tenant at least seven (7) days prior to the date they become delinquent, then Landlord may pay the same, together with penalties and interest, if any, and Tenant agrees, upon demand of Landlord, to pay and to reimburse Landlord for the same, together with interest upon any sums of money so paid by Landlord at the rate of the lesser of eighteen percent (18%) per annum, or the maximum rate allowed by the state in which the Premises are located, from date of payment by Landlord to date of reimbursement by Tenant.

6. USE OF PREMISES; CONTINUOUS OPERATIONS; FIXED CHARGE COVERAGE RATIO

6.1 Permitted Use. Tenant acknowledges and agrees that the Premises may be used solely by Tenant and only as a [BRAND] brand restaurant ("Tenant's Use") under a valid Franchise Agreement issued by Franchisor and for all things related thereto and incidental thereto or in furtherance of said purpose. Any other use of the Premises, or any portion thereof, must be pre-approved in writing by Landlord, which may be withheld, conditioned or otherwise delayed in Landlord's sole and absolute discretion. Notwithstanding anything to the contrary as contained herein, so long as Landlord is an affiliate of Franchisor or YUM! Brands, Landlord's consent may be arbitrarily withheld or denied.

6.2 Prohibited Uses. No auction, fire, or bankruptcy sales may be conducted on the Premises for whatever reason without Landlord's prior written consent. Tenant shall observe and comply with the conditions and requirements of any insurance policies covering all or part of the Premises or the use thereof. Tenant shall at all times, comply promptly with all applicable statutes, laws, ordinances, rules, regulations, orders and requirements regulating or affecting the Premises and/or the use, occupancy or possession of the Premises by Tenant that are now or hereafter in effect. Tenant shall promptly give Landlord a copy of any written notice received by Tenant of any violation of any governmental law, ordinance, rule, regulation or requirement applicable to the Premises. Tenant shall not abandon the Premises and shall keep open for

business during the customary hours, except as may be impracticable due to strikes, lockouts, acts of God or conditions beyond Tenant's control.

For so long as Landlord is an affiliate of YUM! Brands and notwithstanding anything contained in this Lease to the contrary, Tenant shall not use the Premises for any: (a) YUM! Brands (or legal successor to YUM! Brands) restaurant unless said use is pursuant to a valid franchise agreement with a YUM! Brands restaurant concept, or (b) restaurant use which would conflict with or be in competition with a YUM! Brands restaurant concept, as may be determined by Landlord or Franchisor in their sole and absolute discretion.

6.3 Continuous Operations. Tenant shall, in good faith, continuously throughout the Term carry on and conduct in the entire Premises the type of business for which the Premises are leased. Tenant shall operate its business with a complete line and sufficient stock of food and product and other merchandise of current [BRAND] style and type, attractive displays and in an efficient and reputable manner so as to produce the maximum amount of sales from the Premises, and shall, except during reasonable periods for repairing, cleaning and decorating keep the Premises open for business with adequate and competent personnel in attendance on all days and during all hours (including evenings) as typically prescribed by Franchisor. If Tenant ceases to operate its business from the Premises for ninety (90) consecutive days, for reasons other than reasonable periods for repairs or remodeling or force majeure, then Landlord has the right to terminate this Lease. If Landlord elects to terminate this Lease, it must do so by notifying Tenant in writing of such termination and Tenant will have the right, within thirty (30) days of receipt of Landlord's written notice of such election, to advise Landlord that Tenant will reopen for business from the Premises subject to any required Franchisor approvals. If Tenant advises Landlord of such, then Landlord's termination notice will be null and void and of no force and effect (unless Franchisor disapproves of such reopening) and Tenant must reopen for business in substantially all of the Premises within sixty (60) days of its notice to Landlord; otherwise, Tenant's notice will be null and void and of no force and effect. In addition, notwithstanding anything else contained herein Tenant shall thereafter be obligated to remain open and operating in substantially all of the Premises during normal operating hours for the remainder of the Term.

6.4 Fixed Charge Coverage Ratio. Tenant covenants to Landlord that, for so long as this Lease is in effect, Tenant shall maintain a Fixed Charge Coverage Ratio at the Premises of at least 1:1, as determined on the last day of each fiscal year of Tenant. For purposes of this Section 6.4, the term "Fixed Charge Coverage Ratio" shall mean with respect to the twelve (12) month period of time immediately preceding the date of determination, the ratio calculated for such period of time, each as determined in accordance with GAAP, of (a) the sum of Net Income, Depreciation and Amortization, Interest Expense and Operating Lease Expense, less a corporate overhead allocation in an amount equal to 4% of Tenant's Gross Sales at the Premises, to (b) the annual Rent. For purposes of calculating the Fixed Charge Coverage Ratio, the following terms shall have the following meanings:

"Capital Lease" means any lease of any property (whether real, personal or mixed) by Tenant with respect to the Premises which lease would, in conformity with GAAP, be required to be accounted for as a capital lease on the balance sheet of Tenant. The term "Capital Lease" shall not include any operating lease or this Lease.

"Debt" means, as directly related to the Premises and the period of determination (i) indebtedness of Tenant for borrowed money, (ii) obligations of Tenant evidence by bonds, indentures, notes or similar instruments, (iii) obligations of Tenant to pay the deferred purchase

price of property or services, (iv) obligations of Tenant under leases which should be, in accordance with GAAP, recorded as Capital Leases, and (v) obligations of Tenant under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) above. The term "Debt" shall not include Landlord's debt (if any) with respect to the Premises.

"Depreciation and Amortization" means the Tenant's depreciation and amortization accruing during the period of determination with respect to the Premises as determined in accordance with GAAP.

"GAAP" means generally accepted accounting principles consistently applied.

"Interest Expense" means for any the period of determination, the sum of all interest accrued or which should be accrued in respect to all Debts of Tenant allocable to the Premises and all business operations thereon during such period (including the interest attributable to Capital Leases), as determined in accordance with GAAP,

"Net Income" means, with respect to the period of determination, the net income or net loss of Tenant allocable to the Premises. In determining the amount of Net Income, (i) adjustments shall be made for non-reoccurring gains and losses allocable to the period of determination; (ii) deductions shall be made for, among other things, Depreciation and Amortization, Interest Expense and Operating Lease Expense allocable to the period of determination, and (iii) no deductions shall be made for (x) income taxes or charges equivalent to income taxes allocable to the period of determination, as determined in accordance with GAAP, or (y) corporate overhead expense allocable to the period of determination.

"Operating Lease Expense" means the expenses incurred by Tenant under any operating leases with respect to the Premises and the business operations thereon during the period of determination, as determined in accordance with GAAP; provided, however, the term "Operating Lease Expense" shall not include any sum payable under this Lease.

## 7. ALTERATION OF PREMISES

Except as expressly provided herein and subject to Section 27, all alterations or changes to the Premises shall require notice to Landlord as stated in Section 20 and shall require Landlord's prior written consent and must comply with all easements, conditions, covenants and restrictions affecting the use and/or development of the Premises. For so long as Landlord is an affiliate of YUM! Brands and notwithstanding the foregoing, provided that any such alterations or changes have been pre-approved in writing by Franchisor, Tenant may make non-structural alterations or changes to the interior or exterior of the Premises without Landlord's consent provided (a) any such alterations or changes do not (i) change the height, size or exterior aesthetic appearance of the building, or (ii) materially affect the structural integrity of the building, (b) Landlord is given at least thirty (30) days' prior written notice of such alterations or changes, and (c) the estimated cost of such alterations or changes does not exceed Fifty Thousand and no/100 ($50,000) Dollars. All other alterations or changes shall require the prior written consent and approval of Landlord, which Landlord may withhold in its sole and absolute discretion. All alterations and changes shall be made at Tenant's sole cost and expense and subject to Section 27 hereof; shall be completed as expeditiously as possible; shall be done in accordance with plans and specifications as required by or approved by Franchisor (and Landlord, if required hereunder); a copy of all plans provided to Landlord for its records (whether or not preapproval

is required); and shall be made in a good and workmanlike manner and in compliance with all applicable statutes, ordinances, rules, and regulations of governmental authority.

Furthermore, Tenant acknowledges and agrees that it shall fully comply with all obligations to complete any alterations or changes to the Premises in accordance with the Asset Purchase Agreement, Franchise Agreement or any associated or applicable development agreement or similar agreement.

Upon the expiration or early termination of this Lease, Tenant will return the Premises to Landlord in good repair and in material compliance with all applicable laws, including, without limitation, health and zoning codes, and in compliance with Section 26 hereof.

8. ACCEPTANCE OF PREMISES; TENANT DUTY TO REPAIR PREMISES

Tenant agrees, and acknowledges and accepts the Premises, including any improvements, furniture, fixtures and equipment located therein, as of the Commencement Date in its "AS-IS", “WHERE IS” condition as existed on the Effective Date of the Asset Purchase Agreement and acknowledges and agrees that the Premises are in a tenantable and good condition and that neither Landlord nor Franchisor, nor any of their respective representatives, have made any representations, warranties as to the condition or fitness of the Premises for any purpose nor have any of them made any promises, commitments or agreements to make any repairs, corrections, changes, alterations or other improvements to the Premises.

During the Term of this Lease, Tenant acknowledges and agrees that it shall, at its sole cost and expense, keep and maintain the Premises, including all portions of the building(s), and all systems serving the Premises, both inside and out, including, but not limited to: roof, walls, windows and doors, plate glass, dumpster enclosures, HVAC, electrical, plumbing, grease traps and clean-outs, the exterior portions surrounding the building(s), all sidewalks (public and private), parking lots, landscaping, signage, and any Common Area located on the Premises or otherwise serving the Premises in accordance with any separate obligations related thereto, in good and sanitary order, condition, and repair and in accordance with Franchisor’s minimum standards and all applicable statutes, laws, ordinances and codes, hereby releasing Landlord and waiving all right to make repairs at the expense of Landlord as provided by any applicable law or regulation in the State or other jurisdiction in which the Premises are situated. In the event the Premises are a part of a shopping center or include any Common Area, Tenant agrees to abide by all rules and regulations of said shopping center or agreements and to perform all obligations arising thereunder, and to pay any prorata costs for maintenance of the Common Area.

9. UTILITIES

Tenant agrees to directly pay for all utilities whatsoever, including, but, not limited to water, sewer, fuel, gas, oil, heat, electricity, power, materials and services, which may be furnished to or used in or about the Premises during the Term hereof. Tenant agrees to cause all utilities to be billed in the name of and directly to Tenant. To the extent as may be required under local laws or ordinances, if any utility is billed to the Landlord, Tenant agrees to promptly pay the same upon receipt of any bill from Landlord. Landlord, in its sole discretion, may elect to pay such bill directly to the utility provider in which event Tenant agrees to immediately reimburse Landlord for any such payments. Landlord shall not be liable in damages for any failure or interruption of any utility or service or for any disputed amounts. No failure or

interruption of any utility or service shall entitle Tenant to terminate this Lease or discontinue making payments of Rent hereunder.

## 10. INDEMNITY

Tenant covenants and agrees to indemnify, defend (with counsel reasonably acceptable to Landlord) and to hold Landlord free and harmless of and from any and all losses, liabilities, claims, damages, costs, expenses, demands, suits, actions, and causes of action, whether foreseen or unforeseen (collectively, the "Losses") of any and all persons whatsoever, and of and from any and all liability to Tenant, its agents and employees, licensees, invitees, and any and all persons coming upon or near the Premises, during the Term hereof, as may be renewed or extended, arising out of, or connected with, or by virtue of Tenant's occupation or maintenance of the Premises, or any willful, wrongful or negligent act or commission or omission of Tenant, its agents, servants, guests, customers, contractors, permitted licensees, invitees or employees, subtenants or assignees, including attorney's fees and costs of suit incurred by Landlord in defending against any such claims, demands, suits, actions or causes of action. This Article 10 shall expressly and permanently survive the termination of this Lease.

## 11. SIGNS

Tenant shall not place or permit to be placed any sign, marquee, awning or decoration on the exterior of the Premises without the written consent of Landlord unless such is used in conjunction with Franchisor's regional or national advertising campaigns. All signage shall meet applicable governmental requirements and the use of all interior or exterior signs shall be consistent with Franchisor's advertising and trademark standards.

## 12. PERIODIC INSPECTION OF PREMISES

Tenant shall permit Landlord, Franchisor, and/or their respective agents, to enter into and upon the Premises at all reasonable times for the purpose of inspecting the same or for the purpose of posting notices of non-liability for alterations, additions or repairs, or for the purpose of placing upon the Land in which the Premises are located any usual or ordinary "For Sale" signs, without any abatement of Rent.

## 13. DESTRUCTION OF PREMISES

In accordance with Section 18 of this Lease, if any building or improvements situated on the Premises should be damaged or destroyed due to any cause whatsoever, Tenant shall give immediate notice thereof to Landlord, and Tenant shall cause said improvements to be repaired and restored to the same general condition to which same existed immediately prior to the time of the occurrence of said damage or destruction with reasonable diligence, but in no event later than ninety (90) days thereafter, subject to force majeure and/or Tenant's receipt of the necessary permit(s). In no event shall Rent abate, and moreover, Landlord shall have no obligation or liability whatsoever to Tenant, and Tenant shall not be entitled to recover any damages whatsoever from Landlord for any loss occasioned by such damage or destruction.

## 14. CONDEMNATION

14.1 Entire Taking. In the event the entire Premises shall be appropriated or condemned under the power of eminent domain by any competent authority for any public or

quasi-public use or purpose (or, in the reasonable opinion of Tenant, a substantial portion of the Premises so that the remainder of the Premises is not suitable for Tenant's Use), this Lease shall terminate when possession thereof shall be required by the appropriating or condemning authority, or when legal title to the Premises shall vest in the appropriating or condemning authority, whichever shall first occur.

14.2 Partial Taking. In the event that only a part of the Premises is appropriated or condemned and (i) the part so taken includes the building or any part thereof, or (ii) the taking results in insufficient parking spaces to meet the applicable parking code requirements and Landlord is unable to provide a variance to such code requirements or otherwise provide substitute parking spaces therefore that are in close proximity to the Premises and acceptable to Tenant in its reasonable discretion, or (iii) such partial taking results in cutting off direct access from the Premises to any adjacent or contiguous public street or highway and Landlord is unable to secure alternative access rights via a private right of way, then, and in any such event, Tenant, at any time either prior to or within a period of sixty (60) days after the date when possession of the Premises so taken shall be required by the appropriating or condemning authority, may elect to terminate this Lease.

In the event Tenant shall fail to exercise such option to terminate this Lease, or in the event that a part of the Premises shall be taken or condemned under circumstances in which Tenant shall have no option to terminate this Lease, then in either such event this Lease shall continue in full force and effect and shall terminate only as to that part of the Premises so taken. In such event, the Rent required to be paid under Section 3 hereof, shall be reduced, as of the date when possession of the Premises shall be required by the appropriating or condemning authority, by an equitable amount but not more than a proportionate amount equal to the proportion that the area of the part so taken bears to the total area of the Premises. In the event that Tenant elects to stay in operation and the building is partially taken, Tenant agrees to rebuild and/or make needed repairs at its sole cost. Notwithstanding anything contained herein, Landlord shall have no responsibility to restore or rebuild the Premises.

14.3 All compensation awarded or paid as a result of a total or partial condemnation and allocable to the Premises shall be distributed in accordance with the laws and ordinances of the State in which the Premises are situated; however, any award attributable to the Premises shall be allocated and paid to Landlord and Tenant in the following order of priority: (a) to Landlord for the Unamortized Cost of Landlord's Building and Improvements (as defined herein); (b) to Landlord for the value of its reversionary interest in the Premises; (c) to Tenant for its relocation expenses; and (d) the remainder to Landlord. Notwithstanding the foregoing, Tenant shall have the right to pursue compensation for Tenant's loss of business and goodwill. The "Unamortized Cost of Landlord's Building and Improvements" as used herein means that portion of all costs of developing and constructing Landlord's Building and Improvements which, if amortized on a straight line basis over the Term, has not been recovered by Landlord as of the date of the Condemnation. Tenant shall not be entitled to any portion of an award attributable to the land or the building, to other property in the shopping center (if applicable), including Common Area or in excess of any award to which Landlord may be entitled under any other ground leases. A taking by eminent domain or condemnation shall include a sale or dedication in lieu thereof.

## 15. ASSIGNMENT, SUBLEASING & HYPOTHECATION

15.1 (a) Tenant shall not, whether voluntarily or by operation of law or otherwise: (i) assign or otherwise transfer any of its interest in this Lease or the Premises, in any manner, nor

(ii) sublet, license or permit occupancy by any other person of any portion of the Premises (all of the foregoing are collectively called a “Transfer”), without obtaining on each occasion the prior written consent of Landlord, which consent may be withheld by Landlord in its sole and absolute discretion.

(b) Any transfer of (i) any corporate stock of; (ii) any partnership interest in; or (iii) any membership interest in Tenant, or a merger, consolidation or liquidation of or by Tenant, either voluntarily or by operation of law, shall be deemed a Transfer and shall require Landlord’s consent as stated herein.

(c) Notwithstanding the foregoing, Tenant may assign this Lease or sublease the Premises without Landlord's consent to any Affiliate, approved franchisee of Franchisor, or successor of Tenant by operation of law such as merger, provided however: (i) Franchisor shall have pre-approved any proposed Transfer in advance in writing and shall have agreed to issue a franchise agreement to such assignee to operate Tenant’s Use at the Premises on the condition that Tenant and such proposed assignee has fully complied with all of Franchisor’s requirements related thereto (including, but not limited to any equity requirements, financing and sale-leaseback requirements or restrictions), and (ii) Tenant shall provide prior written notice to Landlord of any such assignment or sublease. An “Affiliate" is any company controlling Tenant, controlled by Tenant or controlled by the same company which controls Tenant, or any of their respective franchisees. Tenant shall not Transfer its interest in the Lease except as provided herein. Other assignments or subleasing shall require Landlord’s consent. Notwithstanding whether or not Landlord’s consent was required or not, if Tenant assigns its interest in this Lease, Tenant shall remain primarily liable for the payment and performance of all obligations due or arising under this Lease through the remainder of the Term of the Lease and through any and all Extension Periods, amendments to this Lease or extensions or hold-over periods, whether or not Tenant consents or agrees to any of the same.

(d) Notwithstanding the foregoing and without Landlord’s prior written consent, if the Franchise Agreement between Franchisor and Tenant is terminated prior to expiration of the Lease, Franchisor shall have the right, but not the obligation, to cure any current defaults as provided in Section 19.7 of this Lease and assume those rights and obligations of Tenant under the Lease coming due on or after the date Tenant vacates the Premises, including taking possession of the Premises, all fixtures, and leasehold improvements. Franchisor may exercise such right at any time after the termination of the Franchise Agreement by written notice to Landlord and Tenant. Within thirty (30) days after receipt of such notice, Tenant shall vacate the Premises and turn possession of same over to Franchisor or its designated affiliate, as the case may be. The assumption of Tenant's obligations under the Lease by Franchisor or its designated affiliate thereof shall in no way relieve Tenant from any obligations, expenses, charges or liabilities of Tenant to Franchisor under the terms of the Franchise Agreement or from any obligations, expenses, charges or liabilities of Tenant to Landlord under the Lease.

15.2 Subject to the terms and conditions as set forth in the Asset Purchase Agreement and in the Franchise Agreement, Tenant may mortgage, encumber, pledge or assign as security its right, title and interest in this Lease or the Premises to a financial institution (the “Lender”) acceptable to Landlord, subject to the prior written consent of Landlord and prior approval of the form and content of the security agreement. Tenant shall give to Landlord a notice containing the name and address of the Lender and a copy of the proposed security instrument at least 30 days prior to the proposed effective date of such security instrument.

Subject to the terms and conditions and Landlord's prior written approval of the final form of any proposed security instrument and Landlord's waiver instrument, and further provided that Lender acknowledges and agrees in such instrument(s) that the leasehold interest and any security interest therein are at all times and shall remain subordinate to the interest of a mortgage or security interest granted by Landlord, or its successors and assigns, prior to or subsequent to the leasehold security interest, in and to the fee interest and to the leased Premises, and in such event, Landlord will agree in such instruments as follows: (a) whenever Landlord gives any notice to Tenant pursuant to this Lease, Landlord shall also give to Lender a duplicate copy of such notice at such address in the manner required of notices hereunder. If the notice given by Landlord is a notice of default by Tenant, (b) to allow Lender thirty (30) days to cure any default not timely cured by Tenant, (c) if Lender timely cures any default not timely cured by Tenant, Lender shall be entitled to assume Tenant's interest and obligations under this Lease immediately upon such cure and for the remainder of the term, together with any option, renewal or extension rights set forth in this Lease; provided, however, that Lender shall not acquire any franchise rights pertaining to the use of the Premises and Lender shall agree that any/all trademarked items belong to Tenant, Landlord and/or Franchisor and each shall be notified and provided a reasonable time to de-identify the Premises. Landlord hereby consents to the assignment by Tenant of its rights to use the Premises under the Lease and all of Tenant's personal property and trade fixtures located at the Premises ("Collateral") to Lender. Landlord further consents to the execution and performance by Tenant of any recordable leasehold mortgage, deed of trust, collateral assignment of lease and any other documentation reasonably required by Lender. Landlord agrees that none of the Collateral located on the Premises, notwithstanding the manner in which any of the Collateral may be affixed to the Premises, shall be deemed to be fixtures or constitute part of the Premises. Landlord agrees not to assert any statutory, consensual or other liens against the Collateral. If Tenant defaults on its obligations to Lender, and as a result, Lender undertakes to enforce its security interest in the Collateral, Landlord will permit Lender and its agents to enter upon and remain on the Premises to remove or otherwise dispose of the. Collateral; provided (a) Landlord receives the Rent and other amounts due under the Lease for the period of time Lender uses the Premises and (b) any damages to the Premises caused by removal of the Collateral are repaired. Notwithstanding anything to the contrary as stated herein or which may be provided under any security agreement, neither Lender nor any subsequent assignee or sublessee thereof shall be permitted to use the Premises for any purpose whatsoever except in strict accordance with Section 6 hereof, which includes Landlord's sole and absolute discretion and approval of any change from Tenant's Use.

16. SECURITY DEPOSIT. An initial security deposit ("Security Deposit") in the amount of _____ ($_____) (if applicable), pursuant to the provisions of this Section 16, shall be held by Landlord without interest as security for the performance by Tenant of Tenant's covenants and obligations under this Lease, it being expressly understood that such Security Deposit is not an advance payment of Rent or a measure of Landlord's damages in case of default by Tenant. Landlord may commingle the Security Deposit with Landlord's other funds. If, at any time during the Term of this Lease, as may be extended, any of the Rent shall be overdue and unpaid, or any other sum payable by Tenant to Landlord hereunder shall be overdue and unpaid, then Landlord may at the option of the Landlord (but Landlord shall not be obliged to), appropriate and apply any portion of said Security Deposit to the payment of any such overdue Rent or other sum. In the event of the failure of Tenant to keep and perform any of the terms, covenants and conditions of this Lease to be kept and performed by Tenant, then the Landlord at its option may appropriate and apply the Security Deposit, or so much thereof as may be necessary, to compensate the Landlord for loss or damage sustained or suffered by Landlord due to such breach on the part of Tenant. Should the Security Deposit or any portion thereof be appropriated and applied by Landlord for the payment of overdue Rent or other sums

due and payable to Landlord by Tenant hereunder, then Tenant shall, upon the written demand of Landlord, forthwith remit to Landlord a sufficient amount in cash to restore the Security Deposit to its amount prior to such appropriation and application, and Tenant's failure to do so within seven (7) days after receipt of such demand shall constitute an event of default under this Lease. Should Tenant comply with all of the terms, covenants and conditions of this Lease and pay all of the Rent herein provided for and all other sums payable by Tenant to Landlord hereunder, the Security Deposit shall be returned in full to Tenant at the end of the Lease Term (as may be extended), or upon the earlier termination of this Lease.

Notwithstanding the foregoing and notwithstanding any initial waiver of any requirement to post a Security Deposit, should Tenant, more than two (2) times within any rolling twelve (12) month period, fail to pay on the due date therefore, any installment of Rent or other charge, amount or expense payable by Tenant hereunder, whether or not the amount in question is subsequently paid by Tenant, then, without limiting Landlord's other rights and remedies provided for in this Lease or at law or equity, the Security Deposit shall automatically be increased by an amount equal to the greater of: (a) three times the Security Deposit, or (b) three times the monthly Rent then being paid by Tenant, and such amount or additional amount shall be paid by Tenant to Landlord forthwith on demand.

17. NON-WAIVER

No covenant or condition of this Lease can be waived except by the written consent of Landlord. Forbearance or indulgence by Landlord in any regard whatsoever shall not constitute a waiver of the covenant or condition to be performed by Tenant to which the same may apply, and until complete performance by Tenant of said covenant or condition, Landlord shall be entitled to pursue any remedy available under this Lease, by law or in equity.

18. TENANT'S INSURANCE

18.1 Liability Insurance – Tenant, at all times during the term of this Lease or any renewal or extension thereof, at its expense, will procure, maintain and keep in force, general public liability and property damage insurance, including a products liability clause, covering Landlord and Tenant, in accordance with this Lease for claims of bodily injury, death or property damage liability, automobile bodily injury, including without limitation any liability arising out of the ownership or lease, maintenance, repair, condition, or operation of the Premises or adjoining ways, streets or sidewalks, and, if applicable, insurance covering Landlord and Tenant against liability arising from the sale of liquor, beer or wine on the Premises. Such insurance policy(s), shall have a combined single limit of no less than Two Million and No/100 Dollars ($2,000,000.00) or such higher amounts as Franchisor may require under the Franchise Agreement

18.2 Casualty Insurance - Tenant agrees that at all times during the Lease Term, Tenant will keep the building and all improvements located on the Premises insured by an "all risk" policy against all loss or damage by casualty, including, but not limited to, fire, windstorm, flood (if the Premises is in a location designated by the Federal Emergency Management Administration as a Special Flood Hazard Area), earthquake (if the Premises is located in an area subject to destructive earthquakes within recorded history), boiler explosion (if there is a boiler at the Premises), plate glass breakage, sprinkler damage, all matters covered by a standard extended coverage endorsement, all matters covered by a “law and ordinance” endorsement, all matters covered by an “all risk” endorsement, vandalism, malicious mischief and all other hazards, risks and periods usually covered in the State where the Premises are

located by extended coverage, and all such other risks as Landlord may reasonably require in an amount equal to one hundred percent (100%) of the then current full replacement cost of the building all improvements located at the Premises, with a deductible of not more than $50,000, or such greater amount as Landlord, in its sole and absolute discretion, may approve.

18.3 State workers' compensation insurance in the statutorily mandated limits, employer's liablity insurance with limits not less than $500,000 or such greater amounts as Lessor may require from time to time, and such other insurance as may be necessary to comply with applicable laws.

18.4 All such policy or policies of insurance to be carried by Tenant under this Lease shall: (i) name Tenant as the primary insured, and be primary policies and also name, and be deemed for the mutual benefit of, Landlord and Landlord's mortgagee (if any) as an additional insureds or beneficiaries, as their interests appear; (ii) be furnished to Landlord with a certificate thereof issued by the insurance company; (iii) contain a waiver by Tenant's insurer of any right of subrogation against Landlord by reason of any payment pursuant to such coverage; (iv) provide that the term thereof be at least one (1) year and that the amount thereof shall not be reduced and that none of the provisions, agreements or covenants contained therein shall be modified or canceled by the insuring company or companies without thirty (30) days prior written notice to all parties to this Lease; (v)be issued by insurance companies with general policy holder's rating of not less than A-, as rated in the most current available "Best's Key Rating Guide", and which are qualified to do business in the state in which the Premises are located; (vi) be endorsed to read that such policies are primary policies and that any insurance carried by Landlord shall be noncontributing with respect to such policies; (vii) contain a standard "without contribution" clause endorsement in favor of any Landlord lender; and (viii) provide that the insurer not have the option to restore the Premises if Landlord elects to terminate this Lease in accordance with the terms hereof; and (ix) provide the insurer shall not deny any claim nor shall the insurance be cancelled, invalidated or suspended by (1) any action, inaction, conduct or negligence of Landlord or any party covered by any standard mortgage clause endorsement, Tenant or anyone acting for Tenant or any subtenant or other occupant of the Premises for purposes more hazardous than permitted by such policies, (2) occupancy or use of any of the Premises for purposes more hazardous than permitted by such policies, or (3) any breach or violation by Tenant or any other person of any warranties, declarations or conditions contained in such policies or in the applications for such policies. Tenant may, at its option, bring its obligations to insure under this Section within the coverage of any blanket policy or policies of insurance which it may now or hereafter carry by appropriate amendment, rider, endorsement, or otherwise; provided, however, that the interests of Landlord shall thereby be as fully protected as they would be otherwise if this option of Tenant to use blanket policies were not permitted. Tenant's policy or policies of insurance may also cover loss or damage to Tenant's equipment, fixtures and its other personal property on the Premises removable by Tenant during or at the end of the Term. Landlord shall not be obligated to maintain any casualty insurance against any hazards which Tenant is required to insure against.

Landlord makes no representation that the limits or forms of coverage of insurance required to be maintained by Tenant as specified in this Lease are adequate to cover Tenant's property or Tenant's obligations under this Lease. Any other policies, including any policy now or hereinafter carried by Landlord, shall serve only as excess coverage.

19. DEFAULT

19.1 Tenant Default - If (a) Tenant fails to pay Rent, or any other additional rent or payment of any other money within five (5) business days after its due date and Tenant fails to cure such default within three (3) business days after written notice; (b) Tenant fails to comply with any of the other terms, covenants, conditions or obligations of this Lease (that is, other than the failure to pay Rent or any other sums of money) and fails to cure such default within thirty (30) days after written notice; (c) Tenant voluntarily or involuntarily files a petition in bankruptcy or for reorganization or be adjudicated a bankrupt or make an assignment for the benefit of creditors or has a receiver appointed (except if appointed by Landlord or Franchisor) and if same is not discharged within sixty (60) days; or (d) Tenant fails to continuously operate as provided in Section 6.3 hereof or otherwise abandons the Premises before the end of Term, Tenant will be in default under this Lease each of the foregoing being an event of "Default"). Landlord shall have the right at Landlord's option (to be exercised by written notice to Tenant after the first written notice specified in either clause (a) or clause (b) above as the case may be to terminate the Lease, or to terminate Tenant's right to possession only, without terminating the Lease at Landlord's option, and Landlord may, at Landlord's option, but pursuant to proper legal due process, enter into the Premises, without terminating the Lease or releasing Tenant, in whole or in part, from Tenant's obligation to pay Rent for the full stated Lease Term at the time and in the manner provided in this Lease. Notwithstanding the foregoing, in the event Tenant remains in occupancy of the Premises, Landlord may utilize summary proceedings prior to entering the Premises and taking and holding possession of same pursuant to the foregoing.

19.2 If any Default shall occur of the kind mentioned under subparagraph 19.1(b), that is a Default for other than the payment of money by Tenant, which such Default is curable but is of the nature that it cannot with due diligence be cured within the aforesaid period of thirty (30) days, then if Tenant promptly (but in any case prior to expiration of said thirty (30) day period following Landlord's giving of notice as aforesaid) commences to take steps to eliminate the Default and so long as Tenant diligently continues all necessary steps to complete the cure thereafter, then Landlord shall not have the right to declare this Lease terminated by reason of such Default provided the Default is completely cured within ninety (90) days of the aforesaid notice. Alternatively, Landlord may, at its election, immediately or at any time thereafter, without waiving any claim for breach of agreement, and with notice to Tenant, cure such Default or Defaults for the account of Tenant, and the cost to Landlord thereof plus those Charges as set forth in Section 36 shall be deemed to be additional rent and payable to Landlord on demand. Tenant shall pay all reasonable attorneys' fees, costs and expenses incurred by Landlord in enforcing the provisions of this Lease, suing to collect Rent or to recover possession of the Premises, whether the lawsuit or other action was commenced by Landlord or by Tenant.

19.3 In the event that Landlord shall obtain possession by re-entry, dispossession proceedings, legal or equitable actions or proceedings or other lawful means as a result of Tenant's Default, Landlord shall have the right, at its option, without notice, to repair or alter the Premises in such manner as may be reasonably necessary to market the Premises, or any part thereof, for the whole or any part of what would have been the balance of the term of this Lease. Tenant agrees to pay to Landlord: (a) all reasonable legal and other reasonable expenses incurred by Landlord in obtaining possession of the Premises; (b) all reasonable repairs as may be required to restore the Premises to good condition; and (c) any reasonable brokerage commissions Landlord incurs for re-letting the Premises, subject to Landlord's mitigation obligation.

19.4 Tenant further agrees that notwithstanding the termination by Landlord of this Lease or Tenant's leasehold estate, as aforesaid, Tenant shall remain primarily liable for and shall pay each month to Landlord the amount of Rent, additional rent and all other charges

herein reserved, less the net amount of Rent and other charges which are actually collected and received by Landlord from the new tenant of the Premises for such month, for and during the residue of the Term, but Landlord shall not be responsible to pay Tenant any excess Rent collected. Landlord shall have the right to sue for and collect the amount which may be due from Tenant pursuant to the provisions of this paragraph at the expiration of each month (or several months), and Tenant expressly agrees that any such suit shall not be a bar to or prejudice in any way the rights of Landlord to enforce the collection of the amount due at the end of any subsequent month or months by a like or similar proceeding. The words "re-entry" and "re-enter" shall not be construed or limited to their strict legal meaning.

19.5 The rights of Landlord specifically set forth under this Section are not exclusive and shall be cumulative to all other rights or remedies now or hereafter given to Landlord by law or by the terms of this Lease.

19.6 Nothing in this Section affects the right of Landlord to equitable relief where such relief is appropriate, with the exception that Landlord shall have the right to seek or obtain Tenant's specific performance which would thereby serve to compel Tenant to consummate this Lease and thereby prejudice Tenant's rights of termination granted under this Lease. Nothing in this Section affects the rights of the parties under statutory provisions relating to actions for unlawful detainer, forcible entry and forcible detainer.

19.7 Prior to taking any actions permitted hereunder or otherwise at law or in equity, Landlord acknowledges and agrees to give Franchisor a copy of any and all notices of default given to Tenant, as required to be given by Landlord to Tenant under the terms of the Lease, at the same time such notice is given to Tenant. Within fifteen (15) days after Tenant's right to cure expires, Franchisor or any affiliate thereof shall have the right but not the obligation, to cure any such default.

19.8 Landlord Default - In the event of default on the part of Landlord remaining uncured thirty (30) days after written notice thereof given in writing by Tenant to Landlord, provided, that as to any default not practicably curable within said thirty (30) day period, Landlord shall not be deemed in default if within said thirty (30) days Landlord commences the cure and thereafter diligently prosecutes the cure to completion. Tenant’s sole remedy shall be to cure such default or defaults for the account of Landlord, and the cost to Tenant thereof plus those Charges as set forth in Section 36 which shall be payable to Tenant on demand. Should Landlord fail to reimburse Tenant within thirty (30) days of written demand, Tenant may offset said amount against Rent until reimbursed in full. Further, in the case of a final, non-appealable judgment in favor of the Tenant which is still not cured within thirty (30) days, provided that the default is practicably curable within such time, then Tenant may offset against Rent to satisfy the judgment. Notwithstanding anything to the contrary contained herein, in no event may Tenant be permitted to terminate this Lease due to any alleged Landlord default nor shall Landlord be liable to Tenant for loss of business or consequential damages, unless caused by the gross negligence or willful misconduct of the defaulting party.

## 20. NOTICES

All notices required or allowed in this Lease shall be in writing and shall be sent to the addresses shown below. A party may change its address for notice by giving notice to the other party. Notices shall be in writing and delivered by a receipted overnight delivery service, or U.S. Mail sent certified with return receipt requested. Notices are effective on the earlier of the date

received, the date of the delivery receipt, or the third day after postmark, as applicable, during normal business hours and addressed to addressee at the appropriate address set forth below:

If to Landlord:
_____
_____
_____
_____
_____
_____
If to Tenant:
_____
_____
_____

With copies to:

[FRANCHISOR]
_____
_____
_____
With copies to Lease Accounting: **[SELECT BRAND]**

[PHI
PO Box 955641
St. Louis, MO 63195-5641

Taco Bell
PO Box 203770
Dallas, TX 75320-3770

KFC
PO Box 203805
Dallas, TX 75320-3805]

Telephone: 502.874.1000
Email: lease.accounting@yum.com
Ref: Store Number: _____

21. HOLDING OVER

Any holding over after expiration of the Term shall be as a tenancy from month to month subject to all provisions of this Lease, except that Rent during the holdover period shall be an amount equal to one hundred fifty percent (150%) of the Rent which was in effect at the expiration of the Term.

22. BINDING ON ASSIGNEES

The covenants and conditions herein contained shall, subject to the provisions as to assignments, apply to and bind the heirs, successors, executors, administrators and assigns of all the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

## 23. TIME OF ESSENCE

Time is of the essence of this Lease and each and every provision contained herein.

## 24. FRANCHISE AGREEMENT

This Lease is entered into with the understanding that Franchisor has entered or will enter into a franchise agreement (the "Franchise Agreement") with Tenant for operation by Tenant on the Premises of a restaurant under the name of "[BRAND]". For so long as Landlord is [LANDLORD NAME] (or any affiliate thereof), it is agreed by the parties that any default or breach by Tenant under the Franchise Agreement or any of its related or ancillary agreements, including, but, not limited to any Market Build Out Agreement, at Landlord's option, may constitute a breach of this Lease, and Landlord shall have the right to retake possession or take any other action it may be entitled to, the same as if Tenant breached this Lease. In addition, Landlord and Tenant acknowledge and agree that Franchisor shall have certain rights and remedies as set forth in this Lease, including, but not limited to Section 6 (approval of Tenant's Use), 7 (alterations of Premises), 8 (minimum standards on condition of Premises), 11 (signage standards), 12 (right to inspect Premises), 20 (notices), 15 (approval on assignee and hypothecation), 19.7 (notice of Default) and 26 (de-identification). For so long as Landlord is [LANDLORD NAME] (or any affiliate thereof), in the event of a breach or default under the Franchise Agreement, the notice provision of Section 20 herein shall not apply and notice shall be deemed duly made if the notice requirements of the Franchise Agreement, where applicable, have been fully met.

## 25. CHARACTERIZATION OF LEASE

25.1 Net Lease. This is a net Lease and shall be so construed. Landlord shall not be called upon to make any repairs, pay any taxes or incur any other charges or expenses in connection with the use, operation, maintenance, repair or occupancy of the Premises or the improvements now or hereafter located on the Premises.

It is the purpose and intent of Landlord and Tenant that the sums payable hereunder by Tenant shall be absolutely net to Landlord so that this Lease shall yield, net, to Landlord, the sums herein provided in each year during the term of this Lease, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Premises and Landlord, and without abatement, deduction or offset by Tenant except as expressly provided in this Lease; and Landlord shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability hereunder except as herein expressly set forth; and that all costs, expenses and obligations of any kind relating to the maintenance, preservation, care, repair and operation of the Premises (and, if applicable, any Common Area in the event the Premises are part of a shopping center, including without limitation, all amounts payable for maintenance, taxes, insurance, utilities or otherwise), including all replacements, alterations and additions as herein provided, which may arise or become due during the term of this Lease, shall be paid by Tenant, and Landlord shall be indemnified and held harmless by Tenant from and against such costs, expenses and obligations.

25.2 True Lease. This is a “true lease”, which, as used herein, means that this Lease is a not a financing lease, capital lease, mortgage, equitable mortgage, deed of trust, trust agreement, security agreement or other financing or trust arrangement, and the economic realities of this Lease are those of a true lease.

## 26. TERMINATION OF LEASE; DE-IDENTIFICATION

26.1 Upon the expiration or earlier termination of this Lease for any reason, unless Landlord otherwise notifies Tenant in writing, Tenant shall turn over the Premises in good and sanitary order, condition, and repair, having first made all necessary repairs, replacements or improvements to the Premises as required under Section 8 hereof, Tenant shall, at its sole cost and expense:

(a) Remove the name "[BRAND]" or any other trademark, service mark or copyright (registered or otherwise) of Franchisor from all buildings, signs, fixtures and furnishings on the Premises;

(b) Make such changes and alterations to the Premises as are necessary to prevent the Premises from being recognized by the general public as a distinct [BRAND] brand restaurant, including without limitation, [painting the building on the Premises a color other than that used by a majority of the [BRAND] restaurants or removing any architectural distinctive features trademarked or otherwise featured in such [BRAND] restaurants, including roof shape, style or materials, and replacing the same good quality materials and design, and such other changes and alterations as may be requested by Landlord; and

(c) Provided that Tenant is not in default under this Lease, remove all of Tenant’s trade fixtures, equipment, furniture and other personal property, including without limitation, audio-visual units, kitchen machines, utensils and equipment, and trash from the Premises.

26.2 Notwithstanding the foregoing, upon the expiration or earlier termination of the Lease or Franchise Agreement for any reason, Tenant shall, upon written demand by Franchisor, remove all [BRAND] trademarks from all buildings, signs, fixtures and furnishings, and alter and paint all buildings and other improvements maintained pursuant to the Lease a design and color which is basically different from the [BRAND]'s authorized building design and painting schedule. Any exterior alteration including but not limited to painting the exterior of any building shall be subject to Landlord's prior written approval.

If Tenant shall fail to make or cause to be made any such removal, alteration or repainting within thirty (30) days after written notice from Franchisor, Franchisor or any affiliate thereof shall have the right to enter upon the Premises, without being deemed guilty of trespass, and make or cause to be made such removal, alterations and repainting at the reasonable expense of Tenant, which expense Tenant shall pay to Franchisor or its designated affiliate on demand. In the event Franchisor enters upon the Premises to effectuate the removal of items set forth above, Franchisor agrees to repair any damage caused thereby. Tenant hereby agrees to release Landlord from any and all liability and to waive any and all claims for damages or injuries to persons or property which Tenant or its property may suffer by reason of Franchisor entering the Premises or removal of any of the items described above. Franchisor agrees to repair any damage to the Premises caused by its removal of the items set forth above. Nothing set forth

herein shall be construed to require Franchisor to remove any item from the Premises, but if any items are not removed from the Premises within fifteen (15) days of expiration or earlier termination of the Lease, Landlord may remove such items and dispose of them as Landlord determines without any liability to Tenant or Franchisor therefor. Franchisor shall give Landlord at least 48 hours prior written notice of its desire to exercise any of its rights set forth in this paragraph, including but not limited to, its desire to enter the Premises and remove items. Tenant agrees that Landlord shall have no obligation to verify Franchisor's rights with respect to any items at any time.

27. LIENS AND ENCUMBRANCES

Except as otherwise set forth in this Lease, Tenant shall not encumber or hypothecate its interest in the Premises, or any part thereof. Furthermore, Tenant, at its own cost and expense, shall at all times keep the Premises and this Lease free of and from all liens, encumbrances, attachments, levies, claims, charges and assessments. Tenant shall indemnify Landlord, Franchisor, and their affiliates from and against any such liens or claims. Tenant shall promptly pay and discharge, prior to delinquency, all fines, taxes and other charges levied or assessed against the Premises, this Lease, Landlord or Tenant. This Article 27 shall expressly and permanently survive the termination of this Lease.

28. LANDLORD'S EXPENSES

Tenant shall pay Landlord all costs and expenses, including reasonable attorney fees, incurred by Landlord if Landlord is deemed to be the prevailing party in exercising any of its rights or remedies hereunder or enforcing any of the terms; conditions or provisions hereof.

29. LANDLORD'S ASSIGNMENT, RIGHT TO MORTGAGE AND LEASE RECOGNITION

This Lease and all rights and obligations of Landlord hereunder may be assigned, pledged, hypothecated, transferred, sold and leased back by Landlord (in which event this Lease shall automatically be deemed a sublease) or otherwise disposed of, either in whole or in part, by Landlord without prior written notice to Tenant. Upon written request of the holder of any mortgage now or in the future covering Landlord's interest in the Premises or the purchaser of Landlord's fee interest in the Premises, Tenant agrees to subordinate its rights under this Lease to the lien of that mortgage and/or to otherwise attorn to and recognize the lender (in the event of a foreclosure) or the purchaser as the fee owner by execution of a Subordination, Non-Disturbance and Attornment Agreement in the form as may be prescribed by such lender or purchaser, subject to the commercially reasonable approval of Tenant whereunder such lender or purchaser shall agree that, notwithstanding the foreclosure of the mortgage or the termination of Landlord's rights as "tenant", Tenant's occupancy rights under this Lease will not be materially disturbed as long as Tenant is not in default under this Lease.

30. HAZARDOUS MATERIAL

30.1 Tenant, at its sole cost and expense, shall comply with each and every Federal, state, county, and municipal environmental law, ordinance, rule, regulation and requirements now existing or hereinafter enacted ("Environmental Laws") applicable to Tenant's Use and/or occupancy of the Premises. Tenant shall not cause or permit any "Hazardous Material" (as defined in Section 30.2 below) to be brought upon, kept or used in or about the Premises, without the prior written consent of Landlord, except minor quantities used by Tenant in the normal operations of Tenant's Use. Should Tenant elect to remodel or replace any building or structure

located on the Premises, Tenant shall be solely responsible for any Hazardous Material disturbed or discovered during Tenant's construction activities and/or violations of any Environmental Laws. Tenant shall indemnify, defend and hold Landlord, its parent and its affiliates harmless from and against all any and all claims, judgments, damages, penalties, fines, costs, clean-up and abatement costs, liabilities or Losses (including, without limitation, claims by third party owners, tenants or occupants of other real property affected thereby; diminution in value of the Premises, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the term of this Lease (as may be extended) (collectively, “Environmental Losses”) which Landlord may incur: (i) by reason of Tenant 's actions or non-actions with respect to its obligations hereunder and/or (ii) as a result of any release, spill or discharge (individually and collectively referred to in this Lease as a "Release") of any Hazardous Materials caused by Tenant, its agents, employees and contractors, during the Term. Tenant’s indemnification of Landlord Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Premises and/or other real property. Without limiting the foregoing, if the presence of any Hazardous Material results in any contamination of the Premises and/or other real property, Tenant shall promptly take all actions at its sole expense as are necessary to return the Premises and/or such other real property to the condition existing prior to the introduction of any such Hazardous Material.

30.2 "Hazardous Material" shall mean any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the in which the Premises are located or the United States of America. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) petroleum, (ii) asbestos, (iii) pesticides, (iv) polychlorinated biphenyls, (v) solvents, (vi) defined as a "Hazardous Substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317), (vii) defined as "Hazardous Waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (viii) defined as a "Hazardous Substance" pursuant to Section 101 of the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601 ), (ix) defined as a "Hazardous Substance" pursuant to Section 401.15 of the Clean Water Act, 40 C.F.R. 116, or (x) defined as an "Extremely Hazardous Substance" under Title Ill of the Superfund Amendments and Reauthorizations Act of 1986, 42 U.S.C. Section 9601 et seq. Hazardous Material shall not include limited quantities of cleaning products used or stored at the Premises in the ordinary course of business and provided that they are used and stored in accordance with all applicable laws.

30.3 If at any time during the Term, Tenant or any environmental consultant determines that there was a Release of any Hazardous Material at any time at the Premises in violation of any Environmental Law, which requires disclosure pursuant to any Environmental Law, then Tenant and any such environmental consultant shall so notify Landlord only, and no other person or entity, providing Landlord with a copy of Tenant 's or such environmental consultant's technical documentation supporting such determination, as well as a citation to the authority which Tenant or such environmental consultant believes imposes the disclosure requirement. If Landlord determines, in Landlord’s sole discretion, that such Release of any Hazardous Material must be reported to any governmental authority, then Landlord shall have the sole authority to do so. Notwithstanding any obligations of Tenant herein, Tenant does not have the right at any time during the Term to have any environmental audits performed on the

Premises without Landlord's prior written consent, which consent may be withheld in Landlord's sole and absolute discretion. In the event Tenant is ordered by a law or regulation to perform any type of environmental audit, Tenant, will notify Landlord pursuant to Section 20 hereunder as soon as is reasonably practicable.

30.4 If at any time during the Term Landlord is informed of any investigations or claims by third parties or the applicable governmental authority, or otherwise determines that an investigation of or remediation of a Release of any Hazardous Material at any time at the Premises has been commenced or is required to be commenced pursuant to any Environmental Law, Landlord shall take the necessary steps, on behalf of itself and Tenant, its successors and assigns, to investigate, defend, litigate, and, if deemed necessary and required of it by the applicable governmental authority, remediate such Hazardous Material to the least stringent standard permitted by any applicable Environmental Law (the "Environmental Work") and obtain any necessary approval of the investigation and/or remediation from any applicable governmental authority (the "Approval").

30.5 Landlord and its agents, representatives, and consultants shall have the right to enter upon the Premises, upon reasonable notice to Tenant, at any time during the Term to perform any inspection, sampling, investigation or remediation Landlord deems appropriate and to perform any Environmental Work. Tenant shall not restrict Landlord's access to any part of the Premises or impose any conditions to access.

30.6 At any time during the Term, Landlord shall have the right to record in the applicable Federal, state and county records any documents or notices that may be required by any governmental authority with respect to any Hazardous Material which such governmental authority permits to remain at, around or beneath the Premises. Tenant shall cooperate with Landlord with respect to such document or notice and shall sign each document and notice required to be signed by the Tenant. In addition, if the applicable governmental authority requires that there be an engineering control, such as an asphalt cap or a layer of soil or any other device over any Hazardous Material which will remain at the Premises, then Tenant shall be obligated to maintain, repair and replace any engineering control during the Term. Tenant agrees to indemnify, defend and hold Landlord, its parent and its affiliates harmless from and against any and all Environmental Losses which Landlord, its parent or its affiliates may incur as a result of any migration of Hazardous Material caused or aggravated by Tenant's failure to maintain, repair or replace any engineering control during the Term.

30.7 This Section 30 shall expressly and permanently survive the termination of the Lease.

## 31. ESTOPPEL CERTIFICATES AND SALES AND FINANCIAL REPORTING.

Landlord and Tenant shall each execute and deliver to the other, within thirty (30) days after request, an estoppel certificate addressing such matters as may be reasonably requested by an existing or prospective mortgagee, a prospective transferee of the Premises, or a prospective transferee of Tenant's leasehold interest. In addition, Tenant agrees to provide to Landlord quarterly statements of Tenant's gross sales at the Premises during the Term, as may be extended. Tenant further agrees to provide to Landlord annual financial statements prepared and certified by an independent certified public accountant, in accordance with generally accepted accounting principles relating to real estate consistently applied (audited, if available) regarding the Tenant entity (and its parent entity, if applicable) due no later than March 31 each

calendar year (or otherwise within 90 days of the end of Tenant's fiscal year) during the Term, as may be extended.

32. MEMORANDUM OF LEASE

Landlord and Tenant shall execute and acknowledge a memorandum of this Lease, suitable for recording in the official records of the jurisdiction in which the Premises are located, in the form attached hereto as **Exhibit "B"**. Tenant, at its sole cost and expense, may record the memorandum in such records.

33. CONSENTS

Whenever Landlord and/or Franchisor is asked to provide consent under this Lease, such consent may be withheld by Landlord and/or Franchisor in its sole and absolute discretion. Notwithstanding anything to the contrary as contained herein, so long as Landlord is an affiliate of Franchisor or YUM! Brands, Landlord's and/or Franchisor's consents may be arbitrarily withheld or denied.

34. QUIET ENJOYMENT

Landlord shall assure Tenant of quiet enjoyment and possession of the Premises so long as Tenant performs all of its obligations under this Lease and is not in default hereof beyond any applicable notice and cure periods.

35. LIMITED LIABILITY OF LANDLORD; RELEASE ON SALE.

The obligations and liability of Landlord hereunder are intended to be binding only on the Landlord's fee interest in the Premises. Notwithstanding anything to the contrary provided in this Lease, it is specifically understood and agreed, such agreement being a primary consideration for the execution of this Lease by Landlord, that there shall be no personal liability on the part of Landlord, nor its successors and assigns, nor its parent company, subsidiary, affiliates, including, Franchisor (if applicable), shareholders, employees or agents of Landlord ("Landlord Parties") for any liability of Landlord arising under the terms of this Lease. Tenant waives all claims, demands and causes of action against Landlord or any of the Landlord Parties in the event of any breach by Landlord of any of the terms, covenants and conditions under this Lease to be performed by Landlord, and (iii) Tenant agrees to look solely to the Premise for the satisfaction of each and every remedy of Tenant in the event of any breach by Landlord of any of the terms, covenants and conditions of this Lease to be performed by Landlord, or any other matter in connection with this Lease or the Premises, such exculpation of liability to be absolute and without any exception whatsoever. If Landlord transfers the Premises by sale or exchange, such sale or exchange shall be expressly made subject to this Lease. Upon such transfer, the transferring Landlord and all Landlord Parties shall be fully released by Tenant from all its responsibilities and obligations as Landlord (but such release shall not be deemed a release or waiver of any of Franchisor's rights) which arise or accrue after the date of such transfer. Upon request by the successor landlord, Tenant shall attorn to the successor landlord if the successor agrees in writing that Tenant's rights under this Lease shall be recognized and not disturbed so long as Tenant is not in default.

36. LATE CHARGE AND INTEREST

Should Tenant fail to pay any part of the Rent herein reserved or any other sum required by Tenant to be paid to or for the benefit of Landlord within ten (10) days after the due date, Tenant shall pay to Landlord a late charge of Two Hundred Fifty Dollars ($250) ("Late Charge"), plus interest on the past due amount computed from the date first due until paid, at the rate of the lesser of eighteen percent (18%) per annum, or the maximum rate permitted by the laws of the state in which the Premises are located ("Interest") (the "Late Charge" and "Interest" are collectively referred to as the "Charges").

37. OFFSET

Tenant hereby waives any and all existing and future claims and offsets against the Rent, payments or other obligations due hereunder, and Tenant agrees to pay the Rent and other amounts hereunder and to observe, keep and perform all other provisions of this Lease required to be observed, kept or performed by Tenant regardless of any offset or claim which may be asserted by Tenant or on its behalf.

38. JOINT AND SEVERAL LIABILITY

If more than one Tenant is named in this Lease, or otherwise appears in any chain of assignments or subleases hereof, the liability of each party shall be joint and several.

39. TITLES

The titles of the sections of this Lease are solely for the convenience of the parties, and are not to be used as an aid in the interpretation of the terms and conditions thereof.

40. CHOICE OF LAW

This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises is located.

41. CONFLICT WITH THE APPLICABLE LAW

This Lease is intended for general use throughout the United States and in the event that any one of the terms or provisions hereof are in conflict with any statute or rule of law in any state or place wherein it may be sought to be enforced, then such provision shall be deemed null and void to the extent that it may conflict therewith, but without invalidating the remaining provisions thereof, and no such prohibition or unenforceability in any jurisdiction shall invalidate such provisions in any other jurisdiction.

42. GUARANTY

The obligations of Tenant under this Lease through and until the end of the Term, as may be extended, shall be guaranteed by _____ ("Guarantor"), pursuant to the terms and conditions of a Lease Guaranty to be executed and delivered concurrently with the execution of this Lease, the form of which Lease Guaranty is attached hereto as **Exhibit "C".**

43. MISCELLANEOUS.

No waiver of any breach of this Lease by Landlord or Tenant will be considered to be a waiver of any other or subsequent breach. All of the covenants, agreements, provisions, and conditions of this Lease will inure to the benefit of, and be binding upon, the parties hereto, their successors, legal representatives, and assigns and Guarantor. This Lease and its exhibits, if any, together with any provisions of any other documents expressly incorporated by reference herein, set forth all the covenants, promises, agreements, conditions, and understandings between Landlord and Tenant concerning the Premises. There are no oral agreements or understandings between the parties affecting this Lease, and this Lease supersedes and cancels all previous negotiations, arrangements, understandings, and agreements not expressly incorporated herein between the parties with respect to the Premises. None of those items may be used to interpret or construe this Lease. Except as expressly provided in this Lease, no subsequent alteration, amendment, change, or addition to this Lease, nor any surrender of the Term, will be binding upon Landlord and/or Tenant unless reduced to writing and signed by both of them, however, joinder and approval of Guarantor shall not be required.

SIGNATURES ON FOLLOWING PAGES

IN WITNESS WHEREOF, the parties have executed this Lease as of the dates set forth below.

[LANDLORD]
a Delaware limited liability company

By: _____
Name: _____
Title: _____

State of Kentucky )
) SS
County of Jefferson )

On _____ ____, 20___ before me, _____ (name of notary) a notary public, personally appeared, _____, _____ of _____ LLC, a Delaware limited liability company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____ Seal

[TENANT]

_____, LLC,
a _____ limited liability company

By: _____
Name: _____
Title: _____

State of _____ )
) SS
County of _____ )

On _____ ____, 20___ before me, _____ (name of notary) a notary public, personally appeared, _____, _____ of _____, LLC, a _____ limited liability company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____ Seal

# EXHIBIT A

# LEGAL DESCRIPTION OF PREMISES

***EXHIBIT B***
**TO**
**LAND & BUILDING LEASE**

AFTER RECORDING, RETURN TO:

[TITLE COMPANY]

---

**MEMORANDUM OF LEASE**

**([BRAND] Store Number - _____ - [STORE ADDRESS])**

THIS MEMORANDUM OF LEASE is dated this _____ day of _____, 20___, by and between [LANDLORD], a Delaware limited liability company ("Landlord"), whose mailing address is: _____, and _____, LLC, a _____ limited liability company ('Tenant"), whose mailing address is: _____.

Landlord hereby grants, demises and leases the premises ("Premises") described below to Tenant upon the following terms:

**1. Date of Lease:** _____;

**2. Description of Premises:** See Exhibit "A" attached;

**3. Date of Term commencement:** _____;

**4. Term: [Twenty (20) years]**; and

**5. Renewal Options:** Provided that Tenant is not in default of its obligations under the Lease, Tenant shall have the option to extend the Term of the Lease for up to **[four (4) additional periods of five (5) years each]**, subject to the earlier termination or expiration of the Lease as may be provided therein.

6. **Franchisor Rights**: [FRANCHISOR] has certain rights, but not obligations, under the Lease to assume the Lease and/or de-image the Premises.

7. **Notice Against Liens**: is hereby given that, except as otherwise consented to by Landlord pursuant to the Lease or in a separate written instrument executed by Landlord waiving the following, Tenant is not authorized to place or allow to be placed any lien, mortgage, deed of trust or encumbrance of any kind upon all or any part of the Premises or upon Tenant's leasehold interest therein and any such purported transaction shall be void. Furthermore, any such purported transaction shall be deemed to constitute tortious interference with Landlord's relationship with Tenant and Landlord's fee ownership of the Premises.

The purpose of this Memorandum of Lease is to give notice of the Lease and of the rights created thereby, all of which are hereby confirmed.

IN WITNESS WHEREOF the parties have executed this Memorandum of Lease as of the dates set forth in their respective acknowledgments.

[LANDLORD]
a Delaware limited liability company

By: _____
Name: _____
Title: _____

State of Kentucky )
) SS
County of Jefferson )

On _____ ____, 20___ before me, _____ (name of notary) a notary public, personally appeared, _____, _____ of [LANDLORD], a Delaware limited liability company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____ Seal

[TENANT]

_____, LLC,
a _____ limited liability company

By: _____
Name: _____
Title: _____

State of _____ )
) SS
County of _____ )

On _____ ____, 20___ before me, _____ (name of notary) a notary public, personally appeared, _____, _____ of _____, LLC, a _____ limited liability company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____ Seal

ALL SIGNATURES MUST BE NOTARIZED

EXHIBIT C
TO
LAND & BUILDING LEASE
(Free Standing)

# LEASE GUARANTY

This Lease Guaranty is being entered into in connection with that certain [if PH: *Asset Sales Agreement]* [if TB/KFC: *Agreement for Purchase and Sale of Certain Assets and Franchises]* dated _____, 20__ (the "Asset *[Purchase/Sales]* Agreement"), by and among _____, ("Landlord"), [FRANCHISOR], a Delaware limited liability company ("Franchisor"), _____ ("Tenant"), and _____ ("Individual(s)") ("Tenant" and said "Individual(s)" are collectively referred to as the "Purchaser").

The undersigned (the "Guarantor"), together with its corporate affiliates and shareholders and/or members (collectively, its "Affiliates"), is either an individual or entity directly, or indirectly, owning, managing or controlling, or a corporate affiliate of [TENANT]_____, LLC, a _____ limited liability company (the "Tenant").

In connection with the closing on the Asset Purchase Agreement, Tenant has entered into those *certain LAND AND BUILDING LEASE AGREEMENTS* (each a "Lease" and collectively, the "Leases") with Landlord with respect to each of the Restaurants as further described in the Asset Purchase Agreement including among which is a Lease dated as of _____, 20__ with respect to the Premises as described on Exhibit A attached hereto.

In connection with said Lease, and as additional consideration thereto, Guarantor, for itself and on behalf of its Affiliates, does hereby personally and unconditionally guaranty and agree as follows to Landlord, its successors and assigns, the full payment and performance of each of the obligations of Tenant as the same arise pursuant to the Lease

This Lease Guaranty shall remain in full force and effect throughout the Term of the Lease, as may be extended, commencing on the Effective Date hereof, and shall remain in full force and effect with respect to any amendments thereto, whether or not it consents to or pre-approves the same, with respect to any of Tenant's liability and obligations which may survive the termination thereunder.

All undefined terms used herein shall have the same meaning as defined in the Asset Purchase Agreement or Lease.

IN WITNESS WHEREOF, this Lease Guaranty is executed this _____ day of _____, 20___.

"Guarantor" for itself and its Affiliates

[_____.]

By: _____
Name: _____
Title: _____

Exhibit A

# EXHIBIT "I"

# FORM OF LIMITED WARRANTY DEED

| | |
|---|---|
| THIS DOCUMENT<br>WAS PREPARED BY :<br>[SELLER].<br>1 Glen Bell Way<br>Irvine, California 92618<br><br>SEND TAX BILLS TO:<br>[PURCHASER]<br>[PURCHASER ADDRESS]<br><br>RECORDING REQUESTED<br>BY AND WHEN COMPLETED<br>RETURN TO:<br>[TITLE COMPANY]<br>[TITLE COMPANY ADDRESS] | |

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Grantor's Store #

Property Address:

TAX PARCEL #

**SPECIAL WARRANTY DEED**

For the consideration of Ten Dollars, and other valuable consideration, [SELLER], whose mailing address is 1 Glen Bell Way, Irvine, California 92618, ("Grantor") does hereby convey to [PURCHASER], whose tax mailing address is _____ ("Grantee") the following real property ("Property"):

See **EXHIBIT A** attached hereto and made a part hereof.

Prior Instrument Reference: Instrument Recorded _____,
Instrument No., _____ County, _____Real Estate Records.

SUBJECT TO (i) all real estate taxes and assessments, both general and special, not yet due and payable; (ii) those declarations, conditions, covenants, restrictions, easements, rights of way and other similar matters of record, if any; (iii) zoning and building ordinances; and (iv) those matters disclosed by a true and accurate survey of the Property.

AND FURTHER SUBJECT TO THOSE RESTRICTIVE COVENANTS SET FORTH ON **EXHIBIT B** ATTACHED HERETO AND MADE A PART HEREOF, WHICH RESTRICTIVE COVENANTS SHALL RUN WITH THE LAND.

TO HAVE AND TO HOLD the aforesaid Property, together with (i) all buildings, structures, fixtures and improvements erected or located on the Property or affixed thereto and (ii) all tenements, hereditaments, rights, privileges, interests, easements and appurtenances belonging or in any way relating to the Property.

AND the Grantor hereby covenants with said Grantee that the Grantor is lawfully seized of said Property in fee simple; that the Grantor has good right and lawful authority to sell and convey said Property; that Grantor has done nothing to impair such title as Grantor received, and Grantor will warrant and defend the title against the lawful claims of all persons claiming by, under or through Grantor.

Dated this _____day of _____, 20___.

[GRANTOR]
By: _____
Print Name: _____
Print Title: _____

COMMONWEALTH OF KENTUCKY )
) SS
COUNTY OF JEFFERSON )

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that _____, whose name as Attorney-In-Fact of [Grantor], is signed to the foregoing, and who is known to me, acknowledged before me on this day that, being informed of the contents of the foregoing, _____, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation on the day the same bears date.

Given under my hand and official seal this the _____ day of _____, 20___.

_____
NOTARY PUBLIC

My commission expires:_____

**EXHIBIT A**
**LEGAL DESCRIPTION**

**EXHIBIT B**
**RESTRICTIVE COVENANTS**

**Financing Restrictions**. During the three (3) year period following the recordation of this Deed, Grantee shall not pledge the Property herein conveyed as security under any subsequent financing or refinancing or restructuring of the debt created at the time the transfer from Grantor to Grantee, without the prior written consent and approval of Grantor, which Grantor may withhold in its sole and absolute discretion, which approval shall be subject to certain terms and conditions and requirements of Grantor as provided in that certain unrecorded Agreement for Purchase and Sale of Certain Assets and Franchisees (the "Agreement ") by and between Grantor and Grantee which was the subject matter of the transaction which resulted in the conveyance herein.

**Resale and Sale-Leaseback Restriction**. During the five (5) year period following the recordation of this Deed, without the prior written consent of Grantor, which consent may be withheld by Grantor in Grantor's sole and absolute discretion, Grantee (or the successor in interest to Grantee, if any) will not (A) transfer the Property to any person or entity, or (B) permit the direct or indirect transfer of any ownership interest in the Property (e.g. by transfer of ownership interests of Grantee or of any affiliate of the Grantee that owns an interest (directly or indirectly) in the Property), or (C) engage in any Sale-Leaseback Transaction (as such term is defined in the Agreement) with respect to the Property.

**Right of First Offer**. Grantee further agrees and covenants that during the five (5) year period from and after the recordation of this Deed, if Grantee (or the successor in interest to Grantee, if any) intends to sell or otherwise transfer of any or all of the Property (a "Resale"), Grantee must offer in writing to sell to Grantor the Property at the same (allocated) price paid by Grantee Purchaser as provided in the Agreement without any adjustment before proposing any sale or transfer of any or all of the Property to any third-party or affiliate of Purchaser (the "Right of First Offer"). Grantor shall have a commercially reasonable period of time, not to exceed thirty (30) days, to evaluate such offer and inspect the same and to either elect to purchase such Property or waive such Right of First Offer in writing. If Grantor fails to exercise such right to purchase such Property as identified in writing from Purchaser within said thirty (30) days, Purchaser may proceed to sell such Property to a third-party but at a sale price not less than that as contained in the notice and offer to sell provided to Grantor. Further, any waiver or election by Grantor not to exercise such right to purchase such Property shall not waive, nor be deemed to be a waiver of, Grantor's rights hereunder which shall continue through said five (5) year period with respect to any subsequent offers to sell any of the Property.

If Grantor does not exercise its right to purchase the Property and Grantee proceeds to sell the Property at any time during the five (5) year period from and after the recordation of this Deed to any third-party in a bona fide transfer for at least full fair market value, Grantee (or the successor in interest to Grantee at such time) shall pay to Grantor an amount equal to one-half (½) of the difference between the Resale purchase price for such Property and the Purchase Price allocated to such Property as identified in the Agreement.

**De-Identification**. Prior to any conversion of the Property (at any time) to any other use other than as Taco Bell Brand location, Grantee (or its successor or assigns) at its sole cost and expense, shall cause the Property to be de-identified in accordance with the Taco Bell Brand franchisor's then current de-identification standards.

# SCHEDULE 2

## ALLOCATION OF PURCHASE PRICE

**See Following Attachment.**

# SCHEDULE 2.2

## UPGRADE OBLIGATIONS

### Asset Upgrades

| Restaurant No. | Asset Upgrade Requirement | Required Completion Date |
|---|---|---|
| | | |
| | | |

### Mid-Term Upgrades

| Restaurant No. | Mid-Term Upgrade Requirement | Required Completion Date |
|---|---|---|
| | | |
| | | |

# SCHEDULE 11.4

## SUPPLEMENTAL OPERATIONAL AND FINANCIAL CONDITIONS

**Sale Leaseback Guidelines**

**OVERVIEW**

Before a Franchisee may enter into a sale-leaseback transaction, the Franchisee is required to notify both Seller and Taco Bell Franchisor, LLC, a Delaware limited liability company (the "Franchisor"), by submitting the appropriate transaction documentation and Franchisee must receive the written pre-approval of both Seller and Franchisor to any proposed sale-leaseback transaction. Seller and Franchisor shall each have up to thirty (30) days to review any request for approval of a sale-leaseback transaction and/or for Seller to exercise its first right of refusal before any transfer of asset in any sale-leaseback may be consummated by Franchisee. In addition, Franchisor has the following specific guidelines, requirements, regulations, conditions or limitations which Franchisee must strictly adhere to with respect to any proposed sale- leaseback transaction, including, but not limited to, the following:

- **Lease Structure:** No master lease. No cross default provision.

- **Rental Rate:** Maximum of 8.0% of sales, subject to downward adjustment on a deal-by-deal basis.

- **Use of Proceeds:**
  - Recommended to be used for new development, asset upgrades, acquisitions and/or debt repayment as it relates to the Taco Bell business.
  - Targeted rent adjusted leverage (RAL) of 5.25 or less post transaction. Per the Owner's Performance Summary, RAL would be "Green".

- **Lease Terms:**
  - Match to remaining Franchise Agreement(s) terms or useful life of asset (whichever is shorter)
  - Revisions of lease terms cannot unreasonably burden the Franchisor in the event the Franchisor assumes the lease.

- **Executed Franchisor Lease Addendum:** Provides rights to Franchisor vis-à-vis the landlord in the event of default by Franchisee, including right to enter the premises and de-identify, and separate right to assume lessee's position under the lease. (See attached.)

- **Lender and Franchisee Acknowledgement:** Franchisor is making no commitment to grant a successor franchise agreement, extension or renewal of the then existing Franchise Agreement(s).

- **Compliance:** Must not be in default beyond any applicable notice and cure periods under any agreements with Seller, Franchisor and/or any affiliate of Yum! Brands, Inc. and must comply with all such agreements.

- **Asset Action Flexibility**
  - Ability to freely exchange assets of equal or greater value to enable offsets/relocations (substitute collateral).
  - Ability to buy assets out of pool without significant penalties (e.g., market value or allocated loan value).
  - Ability to close restaurant for reasonable periods of time to upgrade or re-image restaurant.
  - Ability to assign or sublease.
  - Exclude assets which have major action required in next 5 years.

If you have questions regarding these guidelines, please contact your Franchise Business Management Director.

**[For Sale-Leaseback Transactions]**

**ADDENDUM TO LEASE**

THIS ADDENDUM is made and entered into as of _____, 20__, by and between _____, a _____ ("Landlord"), and _____, a _____ ("Tenant").

WHEREAS, Tenant, or its affiliate, currently owns either the fee interest or leasehold interest in and to certain real property located at _____, which real property is more particularly described in the Notice as Exhibit A attached hereto (the "Premises");

[OPTIONAL LANGUAGE IF A FRANCHISEE ACQUIRED PREMISES BY LEASE ASSIGNMENT FROM TACO BELL:

WHEREAS, Landlord and [insert Taco Bell entity] entered into a Lease dated _____ (the "Lease") pertaining to the "Premises" allowing for operation of a Taco Bell restaurant;

WHEREAS, [insert Taco Bell entity] has assigned the Lease to Tenant; and]

[OPTIONAL LANGUAGE IF A "TRUE" SALE-LEASEBACK:

WHEREAS, Tenant, or its affiliate, has entered into that certain sale-leaseback transaction with Landlord whereby Tenant, or its affiliate, has transferred its interests in and to the Premises to Landlord and the parties hereto have entered into a Lease dated _____ (as used herein, the "Lease") pertaining to the Premises;]

WHEREAS, Taco Bell Franchisor, LLC, a Delaware limited liability company ("Franchisor") has previously entered into a Franchise Agreement (the "Franchise Agreement") with Tenant, or its affiliate, to permit Tenant's operation of a Taco Bell brand restaurant at the Premises; and

WHEREAS, Landlord and Tenant desire to incorporate the following terms into the body of the Lease.

NOW, THEREFORE, in consideration of the covenants herein and therein, the parties hereto agree as follows:

1. If the Franchise Agreement ("Franchise Agreement") between Franchisor and Tenant, as franchisee, is terminated prior to expiration of the Lease and Franchisor exercises its rights under Section 15.3(b) of the Franchise Agreement, Franchisor, or any affiliate thereof, shall have the right, but not the obligation, to assume those rights and obligations of Tenant under the Lease coming due on or after the date Tenant vacates the Premises, including taking possession of the Premises, all fixtures, and leasehold improvements. Franchisor, or any affiliate thereof, may exercise such right at any time after the termination of the Franchise Agreement by written notice to Landlord and Tenant. Within thirty (30) days after receipt of such notice, Tenant shall vacate the Premises and turn possession of same over to Franchisor or its affiliate, as the case may be. The assumption of Tenant's obligations under the Lease by Franchisor or an affiliate thereof shall in no way relieve Tenant from any obligations, expenses, charges or liabilities of Tenant to Taco Bell under the terms of the Franchise Agreement or from any obligations, expenses, charges or liabilities of Tenant to Landlord under the Lease. For purposes of this Addendum, "affiliate" shall mean any entity controlling, controlled by or under common control with Franchisor.

[OPTIONAL ADDITIONAL LANGUAGE IF TACO BELL WAS ORIGINAL TENANT UNDER A LEASE]: **Further, in the event that either Taco Bell of America, LLC, as successor by conversion to Taco Bell of America, Inc., or Taco Bell Corp. was the original "Tenant" under the Lease and if, by the express**

**written terms and conditions as stated in the Lease, as previously amended and/or assigned, or under the Assignment and Assumption of Lease by and between said original Tenant and current Tenant, original "Tenant" retains any continued rights or liability for any obligations of "Tenant" thereunder, the rights afforded to Franchisor hereunder are separate from and in addition to any of original Tenant's rights and/or obligations. Nothing in this Addendum to Lease shall modify the terms and conditions and obligations of the parties under the Lease, as amended, and/or the Assignment and Assumption of Lease.**

2. Landlord hereby grants Tenant the unrestricted right to assign the Lease or sublet the Premises to Franchisor, an affiliate of Franchisor or another franchisee of Franchisor or any affiliate thereof.

3. Landlord shall give Franchisor a copy of any and all notices of default given to Tenant, as required to be given by Landlord to Tenant under the terms of the Lease, at the same time such notice is given to Tenant. Within fifteen (15) days after Tenant's right to cure expires, Franchisor or any affiliate thereof shall have the right but not the obligation, to cure any such default.

4. Upon the expiration or earlier termination of the Lease or Franchise Agreement for any reason, Tenant shall, upon written demand by Franchisor, remove all Taco Bell trademarks from all buildings, signs, fixtures and furnishings located on the Premises, and alter to and paint all buildings and other improvements maintained pursuant to the Lease a design and color which is basically different from Franchisor's authorized building design and painting schedule. If Tenant shall fail to make or cause to be made any such removal, alteration or repainting within thirty (30) days after written notice, Franchisor or any affiliate thereof shall have the right to enter upon the Premises, without being deemed guilty of trespass or any other tort, and make or cause to be made such removal, alterations and repainting at the reasonable expense of Tenant, which expense Tenant shall pay Franchisor or its designated affiliate on demand.

5. Landlord and Tenant agree to record a notice ("Notice") substantially in the form attached hereto, indicating Franchisor's rights hereunder, or, alternatively, to record a Memorandum of Lease containing substantially the following language:

> "Landlord and Tenant have granted Taco Bell Franchisor, LLC, a Delaware limited liability company, and its affiliates certain conditional rights, including possession, in and to the Premises."

6. All notices which Landlord may serve on Franchisor hereunder shall be made in accordance with the Lease to:

Taco Bell Franchisor, LLC
1 Glen Bell Way
Irvine, CA 92618
Attn: General Counsel

7. Notwithstanding anything to the contrary elsewhere in the Lease or any addendum or amendment thereto, Landlord and Tenant agree that the terms and provisions set forth in this Addendum shall control and shall not be superseded, terminated or modified without the prior written consent of Franchisor, which party is a third party beneficiary (only) to the Lease and this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date herein above set forth.

LANDLORD:

By:_____

Name: _____

Title: _____

Date: _____

TENANT:

By: _____

Name: _____

Title: _____

Date: _____

ACKNOWLEDGED AND AGREED:

ORIGINAL TENANT:

[TACO BELL OF AMERICA, LLC]

By: _____

Name: _____

Title: _____

Date: _____

This instrument prepared by:
[BRAND AND ADDRESS]

Upon recordation return to:
[TITLE COMPANY]

Order No.:
Escrow No.:
APN: SPACE ABOVE THIS LINE FOR RECORDER'S USE
THE UNDERSIGNED GRANTOR(S)
DECLARE(S):

Re: Store # _____ - _____
_____

**NOTICE**

_____, a _____, ("Landlord") and owner of the real property described on Exhibit A, attached hereto (the "Premises"), and _____, a _____, ("Tenant") of the Premises, have granted Taco Bell Franchisor, LLC, a Delaware limited liability company ("Franchisor"), and its affiliates certain conditional rights, including possession, in and to the Premises, pursuant to that certain Addendum to Lease dated _____, between Landlord and Tenant.

This Notice is to be recorded in the records of _____County.

THIS SPACE INTENTIONALLY LEFT BLANK-SIGNATURES ON NEXT PAGE

LANDLORD AND OWNER:

By:_____
Name: _____
Title: _____

Date: _____

State of _____ )
) SS
County of _____ )

On _____ ____, 20__ before me, _____ (name of notary) a notary public, personally appeared, _____, _____ of _____, a _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity and that by her signature on the instrument the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____ Seal

TENANT:

By:
Name: _____
Title: _____

Date: _____

State of _____ )
) SS
County of _____ )

On _____ ____, 20__ before me, _____ (name of notary) a notary public, personally appeared, _____, _____ of _____, a _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity and that by her signature on the instrument the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____ Seal

Exhibit “A”

# SCHEDULE 41

## NEW DEVELOPMENT

# EXHIBIT J

# STATE EFFECTIVE DATES

## State Effective Dates

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

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

| **State** | **Effective Date** |
|---|---|
| California | |
| Illinois | |
| Indiana | |
| Maryland | Pending |
| Michigan | |
| Minnesota | Pending |
| New York | |
| North Dakota | Pending |
| Rhode Island | Pending |
| South Dakota | Pending |
| Virginia | Pending |
| Washington | Pending |
| Wisconsin | Pending |

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.

Franchise opportunities in Hawaii, if any, are offered under a separate franchise disclosure document.

# EXHIBIT K

# RECEIPT

## RECEIPT

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

If Taco Bell offers you a license, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to Taco Bell or an affiliate in connection with the proposed license sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. If Taco Bell does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit A.

The franchise seller for this offering is _____ at Franchisor's contact info below.
(insert name)

The franchisor is Taco Bell Franchisor, LLC, 1 Glen Bell Way, Irvine, CA 92618. Telephone number is (949) 863-4500.
Issuance date: March 25, 2022

Taco Bell Franchisor, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated March 25, 2022 that included the following Exhibits:

| | |
|---|---|
| A | List of State Agencies and Agents for Service of Process |
| B-1 | License Agreement |
| B-2 | License Agreement Assignment and Release, Acceptance of Assignment, Consent to Assignment, Personal Guaranty and Owners' Agreement |
| B-3 | Amendment to License Agreement |
| C | Release |
| D | Table of Contents of Manual |
| E | Confidentiality Agreement |
| F | Information Regarding Taco Bell Licensees |
| G | Consolidated Financial Statements |
| H | State Addenda to Disclosure Document and License Agreement |
| I | Asset Purchase Agreement |
| J | State Effective Dates |
| K | Receipt |

**DATE:** _____ (Insert License Entity)

_____ By: _____
Signature of Shareholder/Member

_____ Title: _____
Signature of Shareholder/Member

**PLEASE RETURN A COPY TO:**
**Taco Bell Franchisor, LLC**
**Attn: Law Dept/Franchise MD 518**
**1 Glen Bell Way**
**Irvine, CA 92618**
**Email to Jessika.Guerrero@yum.com**

**RECEIPT**

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

If Taco Bell offers you a license, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to Taco Bell or an affiliate in connection with the proposed license sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. If Taco Bell does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit A.

The franchise seller for this offering is _____ at Franchisor's contact info below.
(insert name)

The franchisor is Taco Bell Franchisor, LLC, 1 Glen Bell Way, Irvine, CA 92618. Telephone number is (949) 863-4500.
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| C | Release |
| D | Table of Contents of Manual |
| E | Confidentiality Agreement |
| F | Information Regarding Taco Bell Licensees |
| G | Consolidated Financial Statements |
| H | State Addenda to Disclosure Document and License Agreement |
| I | Asset Purchase Agreement |
| J | State Effective Dates |
| K | Receipt |

**DATE:** _____ (Insert License Entity)

_____ By: _____
Signature of Shareholder/Member

_____ Title: _____
Signature of Shareholder/Member

**PLEASE RETURN A COPY TO:**
**Taco Bell Franchisor, LLC**
**Attn: Law Dept/Franchise MD 518**
**1 Glen Bell Way**
**Irvine, CA 92618**
**Email to Jessika.Guerrero@yum.com**