

# FRANCHISE DISCLOSURE DOCUMENT



Fuzzy's Taco Opportunities, LLC  
A Texas limited liability company  
4200 Regent Blvd., Suite C-210  
Irving, Texas 75063  
(818) 240-6055  
[www.fuzzystacoshop.com](http://www.fuzzystacoshop.com)

The franchise being offered is for a ~~Baja-style~~ Mexican food fast-casual restaurant under the name FUZZY'S TACO SHOP® and featuring simple, made-from-scratch favorites like ~~Baja-inspired~~ tacos, chips and queso, burritos, bowls, sides like our salsa and guacamole, and signature sauces.

The total investment necessary to begin operation of a traditional FUZZY'S TACO SHOP® Restaurant ranges from ~~\$642,647~~,000 to ~~\$1,523,555~~,500, which includes \$55,400 to \$55,600 payable to us or our affiliates. The total investment necessary to begin operation of a taqueria-style FUZZY'S TACO SHOP® Restaurant ranges from ~~\$\$\$505~~~~\$517~~,900 to ~~\$1,058,098~~,100, which includes \$45,400 to \$45,600 payable to us or our affiliates. If you wish to acquire the right to develop multiple FUZZY'S TACO SHOP® Restaurants with a multi-unit development franchise, you must pay us a development fee equal to the entire initial franchise fee for the Restaurants you agree to develop. For a typical commitment of 2-3 Restaurants, the total investment necessary to begin operation of a FUZZY'S TACO SHOP® multi-unit development franchise ranges from \$22,000 to \$405,000. This includes \$75,400 to \$455,600 payable to us or our affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Josh Clorfeine, Associate General Counsel, 10 West Walnut Street, Pasadena, California 91103, (818) 637-4794, [josh.clorfeine@dinebrands.com](mailto:josh.clorfeine@dinebrands.com).

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. 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, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call you state agency or visit your public library for other sources of information on franchising.

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

**Date of Issuance: March 27, 2024, as amended on October 24, 2024 28, 2025**

## 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
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Fuzzy’s Taco Shop® business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Fuzzy’s Taco Shop® franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 and/or franchise development 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 and/or franchise development agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement and/or franchise development 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 and/or franchise development agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration or litigation only in Texas. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with franchisor in Texas than in your own 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.

**THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY**  
**MICHIGAN FRANCHISE INVESTMENT LAW ONLY**

**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 the Michigan Franchise Investment 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 furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**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:

**State of Michigan  
Consumer Protection Division  
Attn: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, Michigan 48933  
Telephone Number: (517) 373-7117**

Note: Despite subparagraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the franchise agreement and the franchise development agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions. You acknowledge that we will seek to enforce this section as written.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

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**EXHIBITS**

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## ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, the terms “we” or “FTO” means Fuzzy’s Taco Opportunities, LLC, the franchisor. The term “you” means the person buying the franchise, the franchisee. If you are a corporation, partnership, limited liability company, or other business entity, your owners will have to be bound by the provisions of the Franchise Agreement (as defined below) and Franchise Development Agreement (as defined below) and other agreements described in this disclosure document.

### The Franchisor

We are a Texas limited liability company and do business only under our corporate name and the name “Fuzzy’s Taco Shop”. Our principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063. Our agents for service of process are identified in Exhibit B to this disclosure document. We have no predecessors.

We have granted franchises for the operation of fast-casual restaurants using the System (as defined below) and offering ~~Baja-style~~ Mexican food ~~restaurant~~ featuring simple, made-from-scratch favorites like ~~Baja-inspired~~ tacos, chips and queso, burritos, bowls, sides like our salsa and guacamole, and signature sauces, and related products and services we authorize from time to time (each a “Restaurant”) since May 2008. Restaurants operate under the name FUZZY’S TACO SHOP® and other trade names, service marks, trademarks, logos, emblems, and indicia of origin as we may hereafter designate in writing (“Proprietary Marks”). We call the Restaurant that you will operate “your Restaurant”. Currently, in addition to offering a franchise for a traditional Restaurant (“Traditional Restaurant”) we also offer certain qualified franchisees the option to develop and operate a taqueria-style Restaurant with a smaller footprint and limited menu (a “Taqueria Restaurant”). Any reference to Restaurants will mean both/either Traditional Restaurants and Taqueria Restaurants, unless specified otherwise.

We have never offered franchises in any other line of business. Although we have never operated a Restaurant, certain of our affiliates have operated Restaurants since 2003.

### Our Parents and Affiliates

Our parent companies are: FTO Strategic Company 1, LLC, a Texas limited liability company, and FTO Holding Company, LLC, a Delaware limited liability company (“FTOH”), which shares our principal business address. As of December 13, 2022, Dine Brands Global, Inc. (formerly known as DineEquity, Inc.) (“Dine Brands”) acquired the ownership of FTOH and on that date we became a wholly-owned indirect subsidiary of Dine Brands. The principal business address of Dine Brands is 10 West Walnut Street, Pasadena, California 91103. From February 2016 to December 13, 2022, FTOH was owned by NRD Holding Company II, LLC.

Our affiliate, Fuzzy’s Taco Holdings, LLC (“Fuzzy’s IP”) shares our principal business address. Fuzzy’s IP owns all the Proprietary Marks and has granted us the exclusive license to use the Proprietary Marks to offer and sell franchises for Restaurants.

Our affiliate, Fuzzy’s Taco Retail, LLC (“Fuzzy’s Retail”) shares our principal business address. Fuzzy’s Retail will sell proprietary sauces to franchisees, as described further in Item 5 and Item 8.

Other than as listed above, none of our affiliates currently provides products or services to our franchisees.

## Affiliated Franchise Programs

As of January 1, 2024, we have two affiliates that offer franchises in the U.S. under any lines of business (other than *Fuzzy's Taco Shop* restaurants), which are IHOP Franchisor LLC for IHOP restaurants and Applebee's Franchisor LLC for Applebee's restaurants, as further described below.

*Applebee's franchise system.* Our affiliate, Applebee's Franchisor LLC, has offered franchises for restaurants under the trade names "Applebee's Neighborhood Grill & Bar," "Applebee's" and "Applebee's Grill & Bar" since October 1, 2014. Applebee's Franchisor LLC's principal place of business is 10 West Walnut Street, Pasadena, California 91103. Other affiliated entities have offered franchises under the "Applebee's" marks in the U.S. and internationally:

Applebee's International, Inc. ("Applebee's International") from March 1988 to November 2007;

Applebee's Franchising, LLC from November 2007 to December 2011 when it assigned its then-existing franchise agreements to, and then merged with, Applebee's International;

Applebee's International from January 2012 through September 2014 (in the U.S.); and from January 2012 to January 3, 2016 (internationally); and

Dine Brands International, Inc. from January 4, 2016 to the present (internationally and in the U.S. territories).

As of ~~January 1~~December 29, 2024, there were a total of ~~1,545~~463 Applebee's brand franchised restaurants in the U.S. and U.S. Territories and 47 Applebee's brand restaurants which were operated by Applebee's or its affiliates.

*IHOP franchise system.* Our affiliate, IHOP Franchisor LLC, has offered U.S. franchises for "IHOP" and "International House of Pancakes" restaurants since October 1, 2014. IHOP Franchisor LLC's principal place of business is 10 West Walnut Street, Pasadena, California 91103. Several of Dine Brands' then-affiliated entities previously offered franchises in the U.S. under the "IHOP" and "International House of Pancakes" brand names since the chain began in 1958, namely:

International House of Pancakes, Inc. from 1960 until February 2007;

IHOP Franchising, LLC from March 2007 to February 2009;

IHOP Franchise Company, LLC from April 2009 through December 2011; and

International House of Pancakes, LLC from December 2011 through September 2014 (this is the same entity that franchised from 1960 until February 2007, but in December 2008 converted to a limited liability company).

These restaurants feature "IHOP" pancakes as well as a diverse menu of other breakfast, lunch and dinner items. As of ~~January 1~~December 29, 2024, there were a total of 1,703 IHOP brand franchised restaurants in the U.S. and U.S. Territories that were franchised under the franchise programs offered in the IHOP Franchise Disclosure Documents.

Other than as listed above, neither we nor any of our parents or affiliates offer franchises for any other concept, though they may do so in the future. None of the affiliates described above have owned, operated or offered franchises for FUZZY'S TACO SHOP® Restaurants.

## The Franchise Offered

All Restaurants are developed and operated with a distinctive business model that we and our affiliates have developed, including, our mandatory standards, specifications, recipes, policies, procedures, techniques and operating procedures that we have developed for the location, establishment, operation, and promotion of Restaurants, all of which may be changed, improved, and further developed by us from time to time (“Standards”). We continue to develop, establish, use, and control the use of the Proprietary Marks, Copyrighted Works (as defined in Item 14) and the Standards (collectively, the “System”).

As a franchisee, you will have the right to use our System to operate a Restaurant, according to the terms and conditions of our standard Franchise Agreement (see Exhibit C-2 to this disclosure document) (a “Franchise Agreement”) and our Standards, which we will communicate to you through our confidential operations manual, recipe book, and other written directives, as we may change, improve, and further develop from time to time (collectively, our “Manual”). The Franchise Agreement also permits you to provide catering and delivery services according to our Standards. Currently, we will permit catering services only with our prior, written permission, and only in your Protected Area (as defined in Item 12).

If you request, and if we grant you, the right to develop multiple Restaurants through our multi-unit development program, you will sign our standard Franchise Development Agreement (see Exhibit C-1 to this disclosure document) (the “Franchise Development Agreement”) and pay us the Development Fee (as defined in Item 5). The Franchise Development Agreement will define the geographical area in which you may develop Restaurants (“Development Area”), the number of Restaurants to be developed, and the timetable for signing Franchise Agreements and developing your Restaurants (“Development Schedule”). For each Restaurant you agree to develop under your Franchise Development Agreement, you must sign our then-current form of Franchise Agreement.

If you are acquiring an open and operating Restaurant from an existing franchisee of the Franchise System, in addition to the Franchise Agreement, we will require you to execute a Consent to Transfer Agreement (see Exhibit C-4 to this disclosure document) (the “Consent to Transfer”), which will govern the terms and conditions of the transfer applicable to you and the existing franchisee.

## Market and Competition

The market for restaurant services generally, and for fast-casual Mexican food restaurants specifically, is well developed and highly competitive. Your Restaurant(s) will compete with other restaurants, bars, and full service and quick service eating establishments offering food, drinks, and entertainment options.

## Industry Specific Regulations

The restaurant industry is heavily regulated. Several federal, state, and local laws, rules, and regulations have particular applicability to the operation and licensing of restaurant businesses, including health permit and inspection regulations and alcoholic beverage sales permitting and licensing requirements. Among the licenses and permits you may be required to obtain are, without limitation: zoning or land use approvals, Sunday sale permits, sales and use tax permits, alcoholic beverage permits and licenses, special tax stamps, fire department permits, food establishment permits, health and safety permits, alarm permits, occupational permits, retail sales licenses, and wastewater discharge permits. There may be other laws, rules, and regulations which could affect your Restaurant. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local health departments administer and enforce laws and regulations that govern food preparation and service and restaurant sanitation conditions. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations.

In addition, the Menu Labeling Provisions of the Patient Protection and Affordable Health Care Act require certain restaurants and retail food establishments to post caloric information on menus and menu boards, and to provide additional written nutrition information available to consumers upon request. Some states have also adopted or are considering proposals that would increase obligations to report certain nutritional information. The Federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide, and particulate matters, including caps on omissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality. You must also comply with laws generally applicable to restaurant businesses, including laws relating to compensation of employees (including minimum wage and overtime requirements), accessibility for persons with disabilities, sales and use tax, food health and safety, and emergency orders related to public health or safety (such as mandatory shut-down orders in response to COVID-19).

You should consult an attorney and consider all of these laws and regulations when evaluating your purchase of a franchise. There may be other laws applicable to your Restaurant. We urge you to make further inquiries about these laws.

## **ITEM 2 BUSINESS EXPERIENCE**

### **John Peyton – Chief Executive Officer, Dine Brands**

Mr. Peyton was appointed as Chief Executive Officer of Dine Brands effective January 4, 2021. Mr. Peyton holds this position from [GlendalePasadena](#), California. From October 2016 until November 2020, he served as President and Chief Executive Officer of Realogy Franchise Group LLC. Prior to October 2016, Mr. Peyton spent 17 years with Starwood Hotels and Resorts Worldwide, holding various positions including Chief Marketing Officer, Senior Vice President of Global Operations and Chief Operations Officer, North America Hotel Division, among others.

### **Vance Chang – Chief Financial Officer, Dine Brands**

Mr. Chang was appointed as our Chief Financial Officer in December 2022, and was appointed as the Chief Financial Officer of Dine Brands effective June 14, 2021. Mr. Chang holds these positions from [GlendalePasadena](#), California. From November 2019 to June 2021, he served as the Chief Financial Officer of Exer Urgent Care. From April 2016 to November 2019, he served as the Chief Financial Officer for Yoga Works. From August 2013 to April 2016, he served as Head of Corporate Finance for Pressed Juicery.

### **Christine K. Son – Senior Vice President and Secretary, Dine Brands**

Ms. Son was appointed as our Senior Vice President and Secretary in December 2022, and Ms. Son was also appointed as Senior Vice President, Legal, General Counsel and Secretary of Dine Brands in April 2021. Ms. Son holds these positions from [GlendalePasadena](#), California. Ms. Son joined Dine Brands in 2011, and has served as Vice President, Deputy General Counsel and Assistant Secretary of Dine Brands from 2019 to April 2021 and as Vice President, Associate General Counsel from 2014 to 2019.

### **Patrick Kirk – President and Chief Marketing Officer, FTO**

Mr. Kirk has served as President and Chief Marketing Officer of Fuzzy's Taco Shop since October 2024. Prior to this role, he was the Chief Marketing Officer at Fuzzy's Taco Shop starting in April 2024. From July 2016 until April 2025, he served as Vice President of Bar & Beverage for Applebee's Neighborhood Grill + Bar based in Pasadena, CA. From December 2011 to July 2016, he was Director of Beverage

Innovation for Buffalo Wild Wings based in Atlanta, Georgia.

**Marshall Claycamp – Vice President and Chief Operations Officer, FTO**

Mr. Claycamp has served as Chief Operations Officer of Fuzzy’s Taco Shop since October 2024. Prior to this role, from March 2023 to October 2024, he was the Executive Director of Operations Services at IHOP, based in Pasadena, CA. From November 2020 to March 2023, he served as Director of Operations Services, and from April 2019 to November 2020, he was Senior Manager of Operational Services for IHOP.

**Scott Gladstone – Chief Development Officer, Dine Brands, and President, International and Global Development:**

Mr. Gladstone was appointed as Chief Development Officer of Dine Brands in January 2024, President of International and Global Development of Dine Brands in January 2023, and was also appointed as our Senior Vice President in December 2022. Mr. Gladstone holds these positions from ~~Glendale~~ Pasadena, California. From June 2021 to January 2023, he was Senior Vice President of Strategy and Innovation for Dine Brands. From August 2017 to June 2021, he served as Vice President, Applebee’s Strategy, Development.

**Jacob A Barden – Senior Vice President, Development, Dine Brands:**

Mr. Barden has served as Senior Vice President of Development, Dine Brands since January 2024. Mr. Barden joined IHOP in August of 2021 and served as Vice President, Development of IHOP from August 2021 until January of 2024. From August 2020 until August 2021, he was Area Franchise Lead for Restaurant Brands International located in Miami, Florida. From September 2016 until August 2020, he was Director, Franchise Development, for Intercontinental Hotel Group located in Atlanta, Georgia.

**Leonardo Z. Aguilar – Executive Director, IT Operations, FTO**

~~Mr. Aguilar has been our Executive Director, IT Operations since December 2022, and was our Vice President of IT from November 2020. Prior to that he was our Director of IT from June 2019 to October 2020. From July 2015 to June 2019 he was employed at Signet Jewelers, most recently as Head of Operations in Irving, Texas.~~

**ITEM 3  
LITIGATION**

[Fuzzy’s Taco Opportunities LLC v. Argh – Red Oak, LLC et al. \(American Arbitration Association\), Case No. 01-24-007-0269. On July 31, 2024, Fuzzy’s Taco Opportunities, LLC, \(“FTO”\) filed an arbitration demand against franchisee ARGH – Red Oak, LLC \(“Red Oak”\) alleging material breaches of the franchise agreement for the unilateral closure of franchisee’s restaurant prior to the end of the term of the franchise agreement, as well as against American Restaurant Group Holdings LLC, Aly Khan Bhagat 678 Trust, Shermin Bhagat Murphy 678 Trust, Shermin Bhagat Murphy, and Aly Khan Bhagat as guarantors of all obligations of Red Oak under the franchise agreement. Thereafter, following additional unauthorized closures, FTO amended their arbitration demand on February 14, 2025, to name franchisees ARGH – Meyerland, LLC, FTSH League City LLC, and FTSH College Station LLC alleging material breaches of the franchise agreement for the unilateral closures, as well as FTS Houston LLC, Momin & Ali Holding LLC, and Shawn Bhagat as additional guarantors of obligations of franchise agreements. The arbitration is currently in the discovery phase.](#)

[Fuzzy's Taco Opportunities LLC v. NO L, LLC and JD King \(American Arbitration Association\), Case No. 01-24-0004-2935. On April 4, 2024, Fuzzy's Taco Opportunities, LLC, \("FTO"\) filed an arbitration demand against franchisee No L, LLC, \("No L"\) alleging material breaches of the franchise agreement for the unilateral closure of franchisee's restaurant prior to the end of the term of the franchise agreement, as well as against Jamie Dee \("JD"\) King, as guarantor of all obligations of No L under the franchise agreement. On February 13, 2025, FTO obtained an award for \\$425,810.](#)

*Fuzzy's Taco Opportunities, LLC v. SE MO Taco Investment I, LLC and BN Restaurant Operating Company II, LLC* (American Arbitration Association), Case No. 01-23-0005-7779. On December 13, 2023, Fuzzy's Taco Opportunities, LLC ("FTO") filed an arbitration demand against franchisee SE MO Taco Investment I, LLC ("SE MO Taco") alleging material breaches of the franchise agreement for the unilateral closure of franchisee's restaurant prior to the end of the term of the franchise agreement, as well as against BN Restaurant Operating Company II, LLC, as guarantor of all obligations of SE MO Taco under the franchise agreement. ~~FTO intends to move for entry of default and~~ [On May 21, 2024, FTO obtained an award of all monies owed for \\$243,119.45.](#)

[No other litigation is required to be disclosed in this Item 3.](#)

#### **ITEM 4 BANKRUPTCY**

Vance Chang is our Chief Financial Officer and the Chief Financial Officer of Dine Brands. Prior to his role with Dine Brands, he was the Chief Financial Officer of YogaWorks, Inc. Mr. Chang left YogaWorks in November of 2019. On October 14, 2020, YogaWorks filed for Chapter 11 bankruptcy in the United States Bankruptcy Court for the District of Delaware due to COVID-19-related business pressures. YogaWorks has its principal place of business at 2215 Main Street, Santa Monica, CA 90405.

Other than this action, no bankruptcy information is required to be disclosed in this Item.

#### **ITEM 5 INITIAL FEES**

##### Initial Franchise Fee

When you sign a Franchise Agreement, you will pay us a \$40,000 initial franchise fee for a Restaurant. The initial franchise fee is considered fully earned by us and nonrefundable upon payment.

If you sign a Franchise Development Agreement, we will specify the initial franchise fees you will pay for all Restaurants developed under that Franchise Development Agreement at the time you execute the Franchise Development Agreement. Therefore, if you are developing a Restaurant under the terms of a Franchise Development Agreement that you signed prior to the date of this disclosure document, your fees may be different than those specified above. We have previously signed Franchise Development Agreements committing to initial franchise fees ranging from \$10,000 to \$35,000.

##### 2025 Development Incentive Program

[Subject to the terms and conditions of the FTO 2023 Development Incentive Program \(the "Development Incentive Program"\), if you are approved to participate in the Development Incentive Program and you open a qualifying new Restaurant in 2025 \(generally a new, incremental Restaurant not previously presented to FTO and above and beyond what you or your affiliates are obligated to develop\), you may be](#)

eligible to receive a development incentive up to a maximum incentive amount of \$150,000. Only the first 10 qualifying restaurants during the 2025 fiscal year will be eligible to receive the incentive amount. We may also, under certain circumstances, offer other financial and/or operational incentives. The Development Incentive Program is subject to additional terms and conditions further described in the Development Incentive Program. This brief summary of the Development Incentive Program does not include all applicable terms and conditions and is qualified in its entirety by reference to the actual Development Incentive Program. Terms and conditions of the Development Incentive Program include but are not limited to there being a limited number of development incentives available, each incentive award being approved by FTO in writing, the Development Incentive Program being subject to change or revision by FTO in its sole discretion and all questions of interpretation under the Development Incentive Program being made by FTO in its sole discretion. In addition, you and each of your affiliates must be and remain in good standing and maintain full compliance with all obligations and agreements with FTO and any of its affiliates. No franchisee or prospective franchisee may act in reliance on the Development Incentive Program unless and until informed in writing that a particular site/Restaurant is eligible for participation in the Development Incentive Program, even after which award of an incentive will depend on satisfaction of Development Incentive Program criteria.

### VetFran Discount

We currently participate in the International Franchise Association's VetFran Program. We offer qualified veterans who enter into a multi-unit Franchise Development Agreement for at least three Restaurants a discounted initial franchise fee of \$35,000 per Restaurant to be developed.

### Development Fee

At the time you sign a Franchise Development Agreement, you must pay us the entire initial franchise fee for the Restaurants you agree to develop (your "Development Fee"). The Development Fee will be credited towards the Initial Franchise Fee you are required to pay under each Franchise Agreement. You may enter into a Franchise Development Agreement to develop Traditional Restaurants or Taqueria Restaurants. We require a commitment of more than one restaurant for a Franchise Development Agreement. Development Fees are calculated by multiplying the number of restaurants committed to by the initial franchise fee. The Development Fee is considered fully earned and nonrefundable upon payment. We may, in our sole discretion and only if we determine a reduction is appropriate due to the number of restaurants being committed to, (a) reduce the Development Fee, (b) defer a portion of the Development Fee such that only half of the initial franchise fee for each restaurant shall be due at the time of Franchise Development Agreement signing with the remaining half of each initial franchise fee due at the signing of the franchise agreement for each corresponding restaurant and/or (c) defer the Development Fee pursuant to section (b) and waive the deferred initial franchise fee if, in addition to other factors, the restaurant opens in full compliance with the development schedule.

### Grand Opening Advertising

You must pay us an amount we approve and specify in your Franchise Agreement prior to your signing it, in accordance with the Standards to promote the opening of your Restaurant. Your costs of grand opening advertising will be \$15,000 per Restaurant. Some restaurants opening under existing development agreements may pay a range from \$5,000 to \$15,000 per Restaurant, which we will determine based on your Restaurant's development agreement terms, market area demographics, and competition. We will spend it to promote your Restaurant. We will employ the strategies and expenditures we deem appropriate for your grand opening advertising program. You must pay us the amount we determine for your grand opening at the time you sign your Franchise Agreement. The grand opening advertising fees you pay us are considered fully earned by us upon payment and are nonrefundable.

Initial Sauce Inventory

You must purchase an initial inventory of proprietary sauce from our affiliate Fuzzy’s Retail prior to opening your Restaurant. We estimate that the cost of such initial inventory will be \$400 to \$600. The amounts you pay Fuzzy’s Retail for such initial sauce inventory will not be refundable upon payment.

**ITEM 6  
OTHER FEES**

Type of Fee	Amount <sup>1,2</sup>	Due Date	Remarks
Royalty Fee	5% of Gross Sales	Weekly, payable each Tuesday for the preceding week’s sales	See Note 1 for a definition of “Gross Sales.”
Development Fund	2% of Gross Sales	Weekly, payable each Tuesday for the preceding week’s sales	See Note 1 for a definition of “Gross Sales.”
Local Store Marketing Fee	There is no currently required local store marketing fee.	Not currently charged	There is currently not a Local Store Marketing Fee, but we may in the future charge a fee of up to 2% of Gross Sales.
Advertising Cooperative	Amount determined by majority vote of cooperative (each Restaurant getting one vote, including company and affiliate owned Restaurants)	Not currently charged	Will be charged when cooperative is established.
Merchandise for Resale; Equipment; Décor Items	Reasonable Cost	On demand	We may provide to you at a reasonable cost certain merchandise for resale that identifies the system; for example, caps, and t-shirts, equipment, and decor items.
<del>Technology</del> POS Support Fee	Our then-current fee (currently <del>\$215</del> 100 to <del>\$345</del> 450 per month depending on package you select)	Monthly	<del>May be increased up from time to time.</del> Fees may increase depending on if you have incremental requests to the supplier. This is a passthrough cost from our vendor and is subject to vendor and/or service selection.
Payment Gateway	<u>Our then-current fee (currently \$50 to \$200 per month)</u>	<u>Monthly</u>	<u>This is a passthrough cost from our vendor and is subject to vendor and/or service selection.</u>

Type of Fee	Amount <sup>1, 2</sup>	Due Date	Remarks
<a href="#">FreedomPay Cutover Fee</a>	<a href="#">\$1,373</a>	<a href="#">On demand</a>	<a href="#">Payable only if you are migrating from a World Pay payment gateway to FreedomPay.</a>
<a href="#">Fraud Payment Protection Fee</a>	<a href="#">\$150 to \$300</a>	<a href="#">Monthly</a>	<a href="#">This is a passthrough cost from our vendor and is subject to service selection.</a>
<del>POS-Support</del> <a href="#">Technology Fee</a>	Our then-current fee (currently <del>\$240</del> <a href="#">200</a> to <del>\$280</del> <a href="#">300</a> per month)	Monthly	<a href="#">Fee for Dine Brands technology support and administration.</a>
Mobile App, Online Ordering, & Loyalty Fee	Our then-current fee (currently \$150 to <del>\$190</del> <a href="#">230</a> per month depending on package you select)	Monthly	
<del>Managed</del> <a href="#">Network Services Support Fee</a>	Our then-current fee (currently <del>\$450</del> <a href="#">65</a> to <del>\$550</del> <a href="#">6000</a> per month depending on package you select)	Monthly	<a href="#">This is a passthrough cost from our vendor and is subject to vendor and/or service selection.</a>
<del>Delphi</del> Digital Menu Board	Our then-current fee (currently <del>\$35</del> <a href="#">15</a> to <a href="#">\$100</a> )	Monthly	Required for restaurants with a drive-thru. <a href="#">This is a passthrough cost from our vendor and is subject to vendor and/or service selection.</a>
Site Evaluation Fee	Our then-current fee (currently \$0)	On demand	Payable only if we require you to use a designated supplier of site evaluation services; for the second or subsequent site you propose.
Opening Assistance	Then-current fee (currently, \$500 per trainer per day), plus reimbursement of our travel, lodging, and dining costs for trainers who provide assistance and, if we deem it necessary to provide support for your second or subsequent Restaurant	On demand	
Additional/Remedial Training	Our then-current training fee (currently, \$500 per trainer per day), plus reimbursement of travel, lodging, and dining costs	Before training	
Relocation Fee	Our then-current fee (currently \$2,500)	Before relocation	Payable only if you request and we approve your relocation.
Renewal Fee	\$5,000	Before renewal	Payable only if you satisfy the conditions to obtain a successor franchise upon renewal.

Type of Fee	Amount <sup>1, 2</sup>	Due Date	Remarks
Transfer Fee	Either (i) 50% of our then-current initial franchise fee if transferee is not a current franchisee, or (ii) \$7,500 if transferee is a current franchisee.		
Supplier Testing Costs	Reimbursement of our costs and expenses for inspection and testing	On demand	Payable only if you request approval of a new supplier.
Manual Replacement Fee	Our then-current fee (currently \$100)	On demand	Payable only if you lose or misplace a hard-copy of the Manual and we agree to replace such hard-copy.
Audit Costs	Cost of audit	On demand	Payable only if audit was necessary because you failed to report to us or if it reveals an understatement of 2% or more of any amount required to be reported to us.
Quality Assurance Reaudit Fee	Reimbursement of our expenses	As incurred	If any routine inspection of your Restaurant reveals violations of the Standards, you must reimburse us our cost, including any travel or lodging, of any re-inspection or follow-up visits to determine if all violations have been cured.
Food Safety Reinspection Fee	Cost of audit (currently, \$300)	As incurred	If any routine food safety inspection of your Restaurant reveals violations of food safety Standards, you must pay the <del>\$300</del> current fee for each reaudit until violations have been cured.
Insurance premium	Reimbursement of our cost of the premium plus administrative fee equal to 10% of the annual premium	On demand	Payable only if you fail or refuse to maintain required insurance coverage and we procure coverage for you.
Indemnification	An amount equal to the value of all losses and expenses that we incur	On demand	You must reimburse the amount of our damages and pay our attorneys' fees and related costs if we are held liable for claims from your operation of your Restaurant
Nonsufficient Funds Fee	Then-current fee, not to exceed \$100 (currently, \$100)	On demand	Payable only if there are insufficient funds in your account to process payment of fees due to us.

Type of Fee	Amount <sup>1,2</sup>	Due Date	Remarks
Guest Relations Chargeback	Reimbursement of our costs.	On demand	See Note 3.
Interest/Late Fee	The lesser of 18% per year or the highest rate of interest permitted by the jurisdiction in which your Restaurant is located	On demand	Payable only if you fail to make payments by the applicable due date.
Collection Fees and Costs	Reimbursement of our costs and expenses incurred in enforcing the agreement, including, among others, commissions to collection agencies, legal expenses, costs of creating or replicating reports, court costs, expert witness fees, discovery costs, and interest charges on the foregoing.	On demand	See Note 1 for a definition of "Gross Sales." Payable only if you default under the Franchise Agreement

### Franchise Development Agreement Fees

Type of Fee	Amount	Due Date	Remarks
Renewal Fee	\$5,000	Before renewal	Payable only if you satisfy the conditions to obtain a successor franchise upon renewal.
Transfer Fee	\$1,500 for transfer from individual to wholly-owned entity; \$2,500 for transfer of non-controlling interest in developer; or \$10,000 per remaining Restaurant to be developed for any other transfers	Before transfer	
Insurance premium	Reimbursement of our cost of the premium plus administrative fee equal to 10% of the annual premium	On demand	Payable only if you fail or refuse to maintain required insurance coverage and we procure coverage for you.
Indemnification	An amount equal to the value of all losses and expenses that we incur	On demand	You must reimburse the amount of our damages and pay our attorneys' fees and related costs if we are held liable for claims from your operation of the Franchise Development Business.

Note 1. "Gross Sales" means the dollar aggregate of: (1) the sales price of all food and beverage items, goods, wares and merchandise sold, and the charges for all services you perform, whether made for cash, on credit or otherwise, without reserve or deduction for inability or failure to collect, including sales and services (A) originating from operation of your Restaurant even if delivery or performance is made offsite from your Approved Location (as defined in Item 11), (B) placed by mail, facsimile,

telephone, the internet and similar means if received or filled at or from your Approved Location, and (C) from mechanical and other vending devices in your Restaurant, and (D) that you in the normal and customary course of your operations would credit or attribute to the operation of a Restaurant; and (2) all monies, trade value, or other things of value that you receive from Restaurant operations that are not expressly excluded from Gross Sales. Gross Sales does not include: (1) the exchange of merchandise between Restaurants (if you operate multiple franchises) if the exchanges are made solely for the convenient operation of your business and not for the purpose of depriving us of the benefit of a sale that otherwise would have been made by your Restaurant; (2) returns to shippers, vendors, or manufacturers; (3) sales of fixtures or furniture after being used in the conduct of your Restaurant; (4) the sale of gift certificates and stored value cards (the redemption value will be included in Gross Sales at the time of redemption); (5) insurance proceeds; (6) the amount of any discount offered to employees or customers; (7) cash or credit refunds for transactions included within Gross Sales (limited, however, to the selling price of merchandise returned by the purchaser and accepted by you); (8) the amount of any city, county, state or federal sales, luxury or excise tax on such sales that is both (A) added to the selling price or absorbed therein and (B) paid to the taxing authority. A purchase being returned to your Restaurant may not be deducted from Gross Sales unless the purchase was previously included in Gross Sales. Weekly sales are calculated based on a Monday through Sunday sales week.

Note 2. Unless otherwise noted, all fees noted above are payable to us and are nonrefundable. Not all fees are uniformly imposed.

Note 3. If we receive a complaint relating to an experience at your Restaurant, we will inform you of the complaint. We will contact the guest approximately four business days after receiving the complaint to determine if it has been resolved. If it has not been resolved, we reserve the right to compensate the guest as we determine appropriate, and you must reimburse us for an amount equal to the value of the compensation provided.

## ITEM 7 ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT (FRANCHISE AGREEMENT – TRADITIONAL RESTAURANT)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee <sup>1</sup>	\$40,000	Lump sum	When Franchise Agreement is signed	Us
Rent Security Deposits (1-2 months), Utility Deposits, and Business Licenses <sup>2</sup>	\$10,000 - \$20,000	As arranged	As incurred	Landlord, utility providers, licensing authorities, etc.
Architect and Design Fees	\$10,000 – <del>\$18,300</del> ,000	As arranged	As incurred	Your architect and engineer
Leasehold Improvements <sup>3</sup>	\$300,000 – \$750,000	As arranged	As required	Contractors and third party suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Furniture, Fixtures, and Signage	\$44,000 – \$95,000	As arranged	As incurred	Approved suppliers
Equipment and Smallwares <sup>4</sup>	\$112,500 – \$350,000	As arranged	As incurred	Approved suppliers
Point of Sale, Computer, Kitchen Display System, EMV, and Digital Menu Board	\$36,000 – \$50,000	As arranged	As incurred	Approved suppliers
Office Equipment and Supplies	\$1,000 – \$2,500	As arranged	As incurred	Approved suppliers
Professional fees	\$2,500 – \$15,000	As arranged	As incurred	Your accountant, attorney, and other professionals
Initial Sauce Inventory	\$400 – \$600	As arranged	As incurred	Fuzzy’s Retail
Other Initial Inventory <sup>5</sup>	\$27,600 – \$42,400	As arranged	As incurred	Approved suppliers
Insurance	<del>\$1520,000</del> – <del>\$3050,000</del>	As agent requires	Before opening	Insurance carriers
Pre-opening training expenses <sup>6</sup>	\$8,000 – \$25,000	As arranged	Before opening	Airlines, hotels, and restaurants
Grand Opening Advertising	\$15,000	Lump sum	Before opening	Us
Additional Funds (3 months) <sup>7</sup>	\$20,000 – \$70,000	As arranged	As incurred	Various
<b>Total<sup>8</sup></b>	<b><del>\$642,647,000</del> - <del>\$1,523,555,500</del></b>			

Note 1. The initial franchise fee for a Traditional Restaurant will be \$40,000. Lower initial franchise fees may be applicable to franchisees who have signed a Franchise Development Agreement or are eligible for a development incentive.

Note 2. A typical Traditional Restaurant occupies 3,000-4,000 square feet of commercial space. Security deposits generally are required by utilities, the landlord, and equipment leasing companies. Amounts will vary depending on various lease terms, utilities’ policies, and your credit rating. The requirements and costs of licensing to serve alcoholic beverages can also vary significantly. The figures in the chart assume a lease security deposit equal to one to two months’ rent. Our estimates for liquor licensing are based on estimates achieved by Traditional Restaurants that our affiliates operate in Texas. Your costs may differ significantly if your Restaurant operates in a different state.

Note 3. Construction and remodeling costs vary widely, depending upon the location, design, configuration and condition of the Approved Location, the condition and configuration of existing services, any existing facilities such as air conditioning, electrical, and plumbing, and the terms of your lease. The estimates provided above assume that you will be finishing out an existing building, and will

not be constructing a new building from the ground up. If you construct a new building, your costs may be considerably higher. The cost of your leasehold improvements will also vary based on whether a commercial restaurant business previously operated at your premises (to be clear: this estimate does not include the estimated cost of purchasing an existing Fuzzy’s Taco Shop® branded Restaurant from us or a franchisee, but rather the reduced cost that you may experience if a third-party commercial restaurant previously operated at that premises, as a result of which the premises may already be outfitted with certain restaurant-specific improvements). The low end estimate above assumes you are converting an existing restaurant space to your Restaurant, the layout does not require material changes, and the premises already has HVAC, bathrooms, plumbing, electrical, and kitchen floor. The high-end estimate assumes that you are developing your Restaurant in a “cold dark shell” (including only walls and a floor), which did not previously operate as a commercial restaurant business, and which will require a full build-out, including HVAC, electrical, plumbing, and bathrooms and kitchen.

Note 4. In addition to variances for freight, installation, prevailing rates for equipment in your area, and state and local taxes, the range for equipment will also vary based on whether a commercial restaurant business previously operated at your premises. The low end estimate above assumes you are converting an existing restaurant space to your Restaurant, including that the premises already has a grease trap, hood, walk-in cooler, and certain useable kitchen equipment, such as hot/cold wells. The high-end estimate assumes that you are developing your Restaurant in a “cold dark shell” and that all furniture, fixtures and equipment will be purchased new.

Note 5. This includes the costs of ordering inventory in the first 30 days of operation. This does not include the cost of initial inventory of proprietary sauce that you acquire from Fuzzy’s Retail, which is accounted for separately in the table above and described further in Item 5.

Note 6. We do not charge a fee for initial training for you or your Designated Manager and up to two of your employees, but you are responsible for all travel and living expenses for you and your employees in connection with training sessions. The estimate in the chart covers the estimated cost for travel, lodging, and meals for 4 weeks for you or your Designated Manager and up to two of your employees. The figures in the chart do not include wages and salaries for employees who attend the initial training program.

Note 7. These estimates do not include managerial salaries or any payment to you. These estimates also do not take into account finance payments, charges, interest, and related costs you may incur if any portion of the initial investment is financed. We relied on our affiliates’ operating experience in compiling these working capital estimates, which include an estimate of three months’ rent. Your costs may differ significantly depending on leasing terms, geographical region, and business terms.

Note 8. Unless otherwise noted, all amounts are non-refundable. Neither we nor our affiliates finance any part of your initial investment. You should review these figures carefully with a business advisor before deciding to acquire the franchise.

**YOUR ESTIMATED INITIAL INVESTMENT  
(FRANCHISE AGREEMENT – TAQUERIA RESTAURANT)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee <sup>1</sup>	\$40,000	Lump Sum	When Franchise Agreement is signed	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Rent Security Deposits (1-2 months), Utility Deposits, and Business Licenses <sup>2</sup>	\$5,000-\$10,000	As Arranged	As incurred	Landlord, Utility providers, licensing authorities, etc.
Architect and Design Fees	\$10,000 - \$15,000	As Arranged	As incurred	Your architect and engineer
Leasehold Improvements <sup>3</sup>	\$200,000 - \$400,000	As Arranged	As required	Contractors and third-party suppliers
Furniture, Fixtures, and Signage	\$25,000 - \$60,000	As Arranged	As incurred	Approved suppliers
Equipment and Smallwares <sup>4</sup>	\$110,000 - \$300,000	As Arranged	As incurred	Approved suppliers
Point of Sale, Computer, Kitchen Display System, EMV, and Digital Menu Board	\$36,000 - \$50,000	As Arranged	As incurred	Approved suppliers
Office Equipment and Supplies	\$1,000 - \$2,500	As Arranged	As incurred	Approved suppliers
Professional fees	\$2,500 - \$15,000	As Arranged	As incurred	Your accountant, attorney, and other professionals
Initial Sauce Inventory	\$400 – \$600	As arranged	As incurred	Fuzzy’s Retail
Other Initial Inventory <sup>5</sup>	\$25,000 – \$40,000	As arranged	As incurred	Approved suppliers
Insurance	<del>\$820,000</del> -\$1550,000	As Agent Requires	Before Opening	Insurance carriers
Pre-opening training expenses <sup>6</sup>	\$8,000-\$25,000	As Arranged	Before Opening	Airlines, hotels, and restaurants
Grand Opening Advertising	\$15,000	Lump Sum	Before Opening	Us
Additional Funds (3 months) <sup>7</sup>	\$20,000 - \$60,000	As Arranged	As incurred	Various
<b>Total<sup>8</sup></b>	<b><del>\$505,900</del>-\$1,058,098,100</b>			

**Note 1.** The initial franchise fee for a Taqueria Restaurant will be \$40,000. Lower initial franchise fees may be applicable to franchisees who have signed a Franchise Development Agreement or are eligible for a development incentive.

**Note 2.** A typical Taqueria Restaurant occupies 1,400-2,000 square feet of commercial space. Security deposits generally are required by utilities, the landlord, and equipment leasing companies. Amounts will vary depending on various lease terms, utilities’ policies, and your credit rating. The requirements and costs of licensing to serve alcoholic beverages can also vary significantly. The figures in the chart

assume a lease security deposit equal to one to two months' rent. Our estimates for liquor licensing are based on estimates achieved by Traditional Restaurants that our affiliates operate in Texas. Your costs may differ significantly if your Restaurant operates in a different state.

Note 3. Construction and remodeling costs vary widely, depending upon the location, design, configuration and condition of the Approved Location, the condition and configuration of existing services, any existing facilities such as air conditioning, electrical, and plumbing, and the terms of your lease. The estimates provided above assume that you will be finishing out an existing building, and will not be constructing a new building from the ground up. If you construct a new building, your costs may be considerably higher. The cost of your leasehold improvements will also vary significantly based on whether a commercial restaurant business previously operated at your premises (see Note 3 above for Traditional Restaurants).

Note 4 -5. See Notes 4-5 above for Traditional Restaurants.

Note 6. We do not charge a fee for initial training for you or your Designated Manager and up to two of your employees, but you are responsible for all travel and living expenses for you and your employees in connection with training sessions. For a Taqueria Restaurant, because the Restaurant footprint is smaller and the menu is more limited, we estimate that you will send fewer employees to attend initial training than for a Traditional Restaurant. The estimate in the chart above therefore covers the estimated cost for travel, lodging, and meals for 4 weeks for you or your Designated Manager and one other employee. The figures in the chart do not include wages and salaries for employees who attend the initial training program.

Note 7. See Note 7 above for Traditional Restaurants.

Note 8. Unless otherwise noted, all amounts are non-refundable. We and our affiliates have not developed any Taqueria Restaurant. Additionally, as of the date of this Disclosure Document, only one Taqueria Restaurant has been developed by a franchisee. Neither we nor our affiliates finance any part of your initial investment. You should review these figures carefully with a business advisor before deciding to acquire the franchise.

**YOUR ESTIMATED INITIAL INVESTMENT  
(FRANCHISE DEVELOPMENT AGREEMENT)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee <sup>1</sup>	\$20,000 - \$400,000	Lump sum	When Franchise Development Agreement is signed	Us
Professional fees	\$1,500 - \$3,000	As arranged	As incurred	Landlord, utility providers, licensing authorities, etc.
Additional Funds (3 months) <sup>2</sup>	\$500 – \$2,000	As arranged	As incurred	Various
<b>Total<sup>3</sup></b>	<b>\$22,000 to \$405,000</b>			

Note 1: Actual costs will depend on the number of Restaurants specified in the Development Schedule and whether we, in our sole discretion, and only if we determine a reduction is appropriate due to the number of restaurants being committed to, apply a reduction.. The estimate above is based on a development commitment of 2 to 10 developed Restaurants, which may or may not be eligible for a reduction.

Note 2: These estimates do not include managerial salaries or any payment to you. These estimates also do not take into account finance payments, charges, interest, and related costs you may incur if any portion of the initial investment is financed, which include an estimate of three months' rent. Your costs may differ significantly depending on leasing terms, geographical region, and business terms.

Note 3: Unless otherwise noted, all amounts are non-refundable. Neither we nor our affiliates finance any part of your initial investment. You should review these figures carefully with a business advisor before deciding to acquire the franchise. You will also incur all fees listed above for estimated initial investment under the Franchise Agreement for each Restaurant you agree to develop under your Franchise Development Agreement, less any initial franchise fees you may have paid as part of the Development Fee.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### Purchases from Approved or Designated Suppliers; Purchases According to Specifications

All products, ingredients, beverages, merchandise, advertising materials, furniture, fixtures, equipment, smallwares, supplies, and stationery used in connection with the operation of your Restaurant must meet our Standards, as promulgated from time to time. Such Standards may include brand specifications, and to the extent that brand specifications have been identified, you may purchase and use only the brands we have approved as part of the Standards.

You must purchase the following items from us or from suppliers and/or distributors we designate or approve (each a "Designated Supplier"): fixtures, furniture, equipment, signs, items of décor; food products and ingredients developed by or for us based on a special recipe, formula, or specifications; all fountain and bottled beverages; alcoholic beverages; uniforms, shirts, and all merchandise and items intended for retail sale (whether or not bearing our Proprietary Marks); advertising, point-of-purchase materials, and other printed promotional materials; gift certificates and stored value cards; stationery, business cards, contracts, and forms; bags, packaging, and supplies bearing the Proprietary Marks; your Computer System (as defined in Item 11); advertising and marketing services, including loyalty and mobile applications and public relations; and other products and services that we require. We may receive money or other benefits from Designated Suppliers based on your purchases (described further below).

You must purchase all proprietary sauce from our affiliate, Fuzzy's Retail, via an approved distributor. Otherwise, neither we nor any of our affiliates are currently a designated or approved supplier or distributor to franchisees, though we and our affiliates may be a Designated Supplier of additional products or services in the future. Other than direct or indirect interests in our affiliates, such as Fuzzy's Retail, none of our officers currently own an interest in any Designated Supplier, except that occasionally our officers may own non-material interests in publicly-held companies that may be Designated Supplier.

If you propose to purchase from a previously unapproved source, you must first obtain our approval. Our criteria for supplier approval are not available to franchisees. We may require, as a condition of granting approval, that our representatives be permitted to inspect the supplier's facilities, and that all information, specifications, and samples as we reasonably require be delivered to us or to an independent, certified

laboratory for testing. We may require you to reimburse us for our actual costs and expenses for inspection and testing. We will make all determinations about whether to approve an alternative supplier based on our then-current criteria, which may change from time to time. We will typically notify you of our approval or disapproval of a proposed alternative supplier within 120 days of receiving your written request. We may also refuse to consider and/or approve any proposed alternative vendor for any reason. We may re-inspect the facilities and products of any such approved supplier. We may revoke our approval of any vendor at any time by notifying you of that revocation. We are likely to reject your request for a new supplier without conducting any investigation if we have already designated an exclusive supplier for that product or service.

You may purchase from any supplier those items and services for which we have not approved a Designated Supplier, if the items and services meet our Standards, which may include brand requirements. If brand requirements have been identified, you may purchase and use only those brands approved by us. Our standards and specifications, and our modifications to our standards and specifications, are communicated to our franchisees in the Manual.

### Location and Lease

You may not secure possession of a site for your Approved Location until we approve that it meets our Standards. If you occupy your Restaurant according to a commercial lease, the lease must also meet our Standards (see Attachment G to our standard Franchise Agreement).

### Purchasing Cooperatives; Supplier Negotiations and Arrangements

Effective September 1, 2023, we designated FoodBuy, LLC (“FoodBuy”) as the exclusive group purchasing organization for franchised Restaurants. FoodBuy is not affiliated with us and is independently operated.

FoodBuy procures products and services only through suppliers approved by us. We or FoodBuy may have negotiated purchase and distribution agreements with our suppliers and distributors to benefit the System through volume discounts. These arrangements sometimes assure you of the price to be charged to any franchisee or might assure that the product or equipment will be available when needed.

We currently evaluate potential suppliers and distributors based upon their ability to meet all of our product standards and specifications, their location, cost, adequacy of their quality controls, and capacity and facilities to supply your and other franchisee needs promptly and reliably. We are not obligated to provide a certain number of approved suppliers for any given product or service.

### Gift Cards.

We have a gift card system where approved vendors produce or supply and process all gift card redemptions and settlements. Participation in the gift card program is mandatory for franchisees. The card production fees vary based on the volume of cards produced, but are currently priced at \$125 per 250 cards. The processing fees are currently \$0.01 per card transaction. Under the gift card program, franchisees do not make any direct payment to us for the cards sold in their Restaurants, but will reimburse us through the gift card purchases from our approved vendor for costs incurred to develop and operate the gift card program, which includes without limitation, gift card production and gift card marketing costs.

### Insurance

Before you open the Restaurant for business, you must obtain the type and amount of insurance coverage for the Restaurant we specify in the Franchise Agreement, the Insurance Bulletin, and the Manual, or otherwise in writing. Certificates of insurance evidencing compliance with our requirements must be forwarded to our Risk Management Department before opening of the Restaurant and at the time of each

policy renewal. You must obtain and maintain the specified insurance coverage during the term of the Franchise Agreement, without any exclusions. All the policies must name us and our affiliates, and each company's respective partners, officers, subsidiaries, affiliates, shareholders, directors, regional directors, agents, and employees as additional named insureds on a primary non-contributory basis and must also include a waiver of subrogation in favor of us and our affiliates, and each company's respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees. We have the right to establish and modify the minimum coverage required of your Restaurant, and to require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards, and other relevant changes in circumstances. In the event we do not receive proper evidence of insurance, we may, but are not obligated to, procure such insurance as is necessary to meet our requirements, but the insurance need not name you as an insured or additional insured, and you shall be responsible for all payments for such insurance.

### Negotiated Purchase Arrangements

We may periodically negotiate purchase arrangements with vendors that sell products and services to our franchisees. Currently, we have negotiated purchase arrangements, including pricing terms, with our designated or approved suppliers of soft drinks, food products, signage, music services, credit card processing, point-of-sale services, technology services, loyalty services, online ordering services, smallwares, equipment, linen services, digital menu boards, online review management services, delivery service providers, marketing and other print materials, TV services and chemical products.

### Revenue Derived from Required Purchases and Leases

We and our affiliates may periodically derive revenue from Designated Suppliers on the basis of your purchases and leases. Currently, we qualify to receive rebates from: (i) soft-drink vendors, ranging from \$0.10 to \$7.00 per gallon sold, (ii) vendors that agree to act as a sponsor for our franchisee conferences, ranging from \$2,500 to \$10,000 per vendor, and (iii) certain designated suppliers of certain food products, in the amount of \$0.02 per case sold. During the ~~2023~~2024 fiscal year:

1. FTO's total revenues from all sources was ~~\$15,914,805~~14,493,003, and its revenue from purchases or leases of products and services required to be purchased by franchisees from us or another supplier was ~~\$1,069,618,990,099~~, representing ~~6.78~~8% of its total revenues.
2. Fuzzy's Retail's total revenues from all sources was ~~\$1,453,293~~226,659, and its revenue from purchases or leases of products and services required to be purchased by franchisees from us or another supplier from Designated Suppliers was ~~\$1,453,293~~226,659, representing 100% of its total revenues.

We estimate that the products and services that you obtain from our approved and designated suppliers and according to our specifications will represent 50% to 60% of all products and services you will purchase to establish your business and 75% to 90% of all products and services you will purchase during operation of your Restaurant.

**ITEM 9  
FRANCHISEE'S OBLIGATIONS**

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

Obligation	Sections in Franchise Agreement	Sections in Franchise Development Agreement	Disclosure Document Items
a. Site selection and acquisition/lease	Section 3	Sections 4.2 and 4.3	Items 6, 11, and 12
b. Pre-opening purchases/leases	Section 4	Not applicable	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 4 and 5	Not applicable	Item 7
d. Initial and ongoing training	Section 8	Not applicable	Item 11
e. Opening	Section 5	Sections 4.4 and 5.1	Item 11
f. Fees	Section 6	Section 3	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Sections 9, 10, and 11	Not applicable	Item 11
h. Trademarks and proprietary information	Sections 9, 13, and 14	Section 1.2.3	Items 1, 13, and 14
i. Restrictions on products/services offered	Sections 9, 10, 11.A-11.D	Not applicable	Items 8 and 16
j. Warranty and customer service requirements	Section 15.F	Not applicable	Item 16
k. Territorial development and sales quota	Not Applicable	Sections 4.3 and 5.1	Item 12
l. Ongoing product/service purchases	Sections 11.A-11.D	Not applicable	Item 8 and 16
m. Maintenance, appearance and remodeling requirements	Sections 2 and 11	Not applicable	Items 7 and 8
n. Insurance	Section 16	Section 7.2	Items 6, 7, and 8
o. Advertising	Section 15	Not applicable	Items 6, 7, and 11
p. Indemnification	Section 20	Section 7.3	Item 6
q. Owner's participation/management/staffing	Sections 11.I, <del>11.J,</del> and <del>12.F</del> <u>11.J</u>	Section 11.7	Item 15
r. Records and reports	Section 7	Section 5.3	Items 6 and 11

Obligation	Sections in Franchise Agreement	Sections in Franchise Development Agreement	Disclosure Document Items
s. Inspections and audits	Sections 4.C, 4.D, 7, and 11.F	Not applicable	Items 6 and 11
t. Transfer	Section 17	Section 8	Item 17
u. Renewal	Section 2.B	Section 2.1	Items 6 and 17
v. Post-termination obligations	Section 19	Sections 2.2 and 10.2	Item 17
w. Non-competition covenants	Section 14	Section 10	Items 15 and 17
x. Dispute resolution	Section 23	Section 14	Item 17

**ITEM 10  
FINANCING**

Neither we nor any of our affiliates offer direct or indirect financing. Neither we nor any of our affiliates will guarantee your lease, note, or other obligations.

**ITEM 11  
FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

Before you begin operating your Restaurant, we will:

1. Review your Franchise Site Application and notify you of site approval within 30 days after receiving all requested information. (Exhibit C-2, Franchise Agreement, Section 3.B) Factors considered in selection and approval of a site includes, but is not limited to, traffic count, visibility, demographics, competition in the area, and occupancy cost.
2. Provide you sample drawings and specifications for a Restaurant, including dimensions, design, image, layout, décor, fixtures, equipment, signs, furnishings, storefront, signage, graphics, and color schemes. (Exhibit C-2, Franchise Agreement, Section 4.A) You must have all required construction plans and specifications prepared to suit the shape and dimensions of your Restaurant and ensure that the plans and specifications comply with applicable ordinances, building codes, permit requirements, and lease requirements/restrictions.
3. Provide an initial training program and admit your Designated Manager and up to 2 additional individuals (see Item 15) without charge. (Exhibit C-2, Franchise Agreement, Section 8.A)
4. Make our confidential Manual containing information and knowledge that is necessary and material to the System available to you. (Exhibit C-2, Franchise Agreement, Section 9) The table of contents of our Manual is attached as Exhibit A to this disclosure document. Our Manual in effect as of the date of this disclosure document contains 142 pages.
5. We will provide you our New Store Opening Support Plan as described in our Operations Manual, subject to you meeting our standards and criteria for the New Store Opening Support Plan (see Item

11 “Other Training” for further description of New Store Opening Support Plan) (Exhibit C-2, Franchise Agreement, Section 8.B)

6. Provide consultation and advice to you, as we deem appropriate, with regard to the development and operation of your Restaurant, building layout, furnishings, fixtures, and equipment plans and specifications, employee recruiting, selection and training, purchasing and inventory control, and such other matters as we deem appropriate. (Franchise Agreement, Section 8.B)

During the operation of your Restaurant, we will:

1. Periodically, as we deem appropriate, advise and consult with you in connection with the operation of your Restaurant. (Exhibit C-2, Franchise Agreement, Section 8.C)
2. Provide you our knowledge and expertise regarding the System and pertinent new developments, techniques, and improvements in management, food and beverage preparation, sales promotion, service concepts, and other areas. We may provide these services through on-site visits, distribution of printed or filmed material or electronic information, meetings or seminars, telephone communications, email communications, or other communications. (Exhibit C-2, Franchise Agreement, Section 8.C)
3. Use good faith efforts to approve or disapprove proposed promotional and marketing materials within 10 business days after we receive them. (Exhibit C-2, Franchise Agreement, Section 15.A)
4. Administer the Development Fund and, at your request, provide an annual unaudited statement of contributions and expenses of the Development Fund in the previous fiscal year, within 120 days after the end of such fiscal year, if you operated as a franchisee during that fiscal year. (Exhibit C-2, Franchise Agreement, Section 15.C)

### Initial Training Program

Your Designated Manager and other employees that we designate must successfully complete the initial training program to our satisfaction at least 30 days before you may open your Restaurant. We will admit your Designated Manager and up to 2 other of your employees to our initial training program at no cost. At your request, we may permit additional individuals to attend the same training program, subject to space availability and payment of reasonable tuition (currently, \$500 per trainer per day). You are responsible for all training-related expenses, including travel, lodging, and dining expenses for all individuals attending training, including wages and salaries payable to such persons during the training period.

Our initial training program is offered by our training team on an as needed basis and is conducted by or under the supervision of Alex Oakes, our Senior Training manager. Mr. Oakes has 67 years’ experience with us and our affiliates and 910 years’ experience in the subject matters taught.

The classroom portion of our initial training program is currently held at our corporate headquarters in Irving, Texas and the on-the-job training portion is held at one or more of our affiliate-owned Restaurants in North Texas. Instruction for our training program will be taken from our Manual and other instructional forms. The following is a summary of our initial training program:

## TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of on the Job Training	Location <sup>1</sup>
Orientation	4		DFW Area
Pre-Opening Procedures	-	5	DFW Area
Food Safety/Sanitation Training	-	10	DFW Area
Manager Procedures	-	10	DFW Area
Guest Service Procedures	-	5	DFW Area
Cashier Training	-	32	DFW Area
Manager Training	-	32	DFW Area
Prep Training	-	32	DFW Area
Line Training	-	55	DFW Area
Inventory Management	-	4	DFW Area
IT Meeting HQ	4	-	DFW Area
Operations Meeting HQ	4	-	DFW Area
Marketing HQ	4	-	DFW Area
<b>Totals</b>	<b>16</b>	<b>185</b>	

Note 1: We may choose to conduct any or all training virtually, and you must comply with our instructions for all virtual programs.

### Other Training

Your Designated Manager and other personnel ~~also~~ must also attend and successfully complete all food safety training courses ~~and alcoholic beverage service training~~ that we periodically require, including courses and programs provided by third-parties we designate, and all training that may be required by the state or local municipality where your Restaurant is located, including all alcoholic beverage service training. You and your personnel shall maintain all certifications required by us or any governmental agency at all times.

Except for the initial training program, which is provided at no cost to your Designated Manager and up to two additional employees, we may charge a reasonable tuition for all courses and programs that we provide, the cost of which will vary depending on our cost of providing such courses and programs. You are responsible for all training-related expenses, including travel, lodging, and dining expenses for these individuals, as well as any wages and salaries payable during the training period.

You must conduct our New Store Opening Support Plan as set forth in the Operations Manual. The personnel that provides the New Store Opening Support Plan will vary, and we may require that you conduct any or all of the New Store Opening Support Plan with your own personnel at your own cost. Currently, our New Store Opening Support Plan will be provided as follows: (i) for the first or second Restaurant you open, 4 members of our support team for up to 10 days; (ii) for the third or fourth Restaurant you open, 2 members of our support team for up to 7 days; (iii) for the fifth and subsequent Restaurant you open, you must provide all staff trainers for the New Store Opening Support Plan at your own cost. If we deem

necessary, or if you request (and we approve), that we provide any staff trainers other than as described in the preceding sentence, we may charge you our then-current training fee (currently, \$500 per trainer per day) and reimbursement to us for our training-related expenses, including travel, lodging, and dining costs for those additional trainers who provide opening assistance. Our New Store Opening Support Plan may require you to meet certain standards before we will provide on-site opening assistance. If you fail to comply with the standards and criteria set forth in our New Store Opening Support Plan, we are not obligated to provide you any on-site opening assistance, and if we elect to provide you any such assistance, you must pay our then-current training fee (currently, \$500 per trainer per day) and reimbursement of our expenses.

For all Restaurants you open, you may also request additional support and training, and if we decide to provide such support or training (at our option), you must pay us our then-current training fee (currently, \$500 per trainer per day) and reimburse us for our expenses.

We may, if we deem necessary based on the performance of your Restaurant(s), require your Designated Manager and other of your employees to attend and complete additional and/or remedial training as we may periodically deem necessary. ~~We may also require your Principal Owner to attend the initial training program, or any additional or remedial training, if you do not appoint a Designated Manager, or your Designated Manager is unable to complete our training programs to our satisfaction. If we require additional or remedial training, or Principal Owner training,~~ If we require additional or remedial training we may require you to pay our then-current training fee (currently, \$500 per trainer per day) and reimburse us for all of our training-related expenses, including travel, lodging and dining costs for the individuals who provide opening assistance. If such training takes place in our training facilities, you are also responsible for travel, lodging, and dining expenses for individuals who attend additional and remedial training, as well as any wages and salaries payable to these individuals during the training period.

We may, if we deem necessary, conduct, and require you to attend, periodic conferences to discuss System developments, including new menu items, operational efficiency, bookkeeping, account, inventory control, performance standards, advertising programs, and merchandising procedures. Your Designated Manager must attend all mandatory conferences. You are responsible for all conference-related expenses, including travel, lodging, and dining expenses for conference attendees, as well as any wages and salaries payable to these individuals during the conference.

### Advertising

We will approve advertising programs for the products and services offered by Restaurants from time to time. You may not use any advertising materials until we have approved them. Currently, our approved advertising programs consist of community involvement, charitable associations, to-go menus, a web site, social media pages, and proprietary merchandise. Our advertising materials are created primarily through external design partners and agencies. Currently, there is no advertising council composed of franchisees, though we reserve the right to form such council(s) at any time. You may use your own advertising and promotional materials if they conform to our Standards and we have approved them before first publication or use; we will use good faith efforts to approve/disapprove your proposed materials within 10 business days after we receive them.

### Grand Opening Advertising

You must pay us an amount we approve and specify in your Franchise Agreement prior to your signing it, in accordance with the Standards to promote the opening of your Restaurant. Your costs of grand opening advertising will be \$15,000 per Restaurant. Some restaurants opening under existing development agreements may pay a range from \$5,000 - \$15,000 per Restaurant, which we will determine based on your Restaurant's development agreement terms, market area demographics, and competition. We will spend it

to promote your Restaurant. We will employ the strategies and expenditures we deem appropriate for your grand opening advertising program. You must pay us the amount we determine for your grand opening at the time you sign your Franchise Agreement.

### Advertising Cooperatives

If we believe that two or more Restaurants may benefit by pooling their advertising dollars, we may form a local or regional advertising cooperative for this purpose. If we form an advertising cooperative for the region in which your Restaurant is located, you must participate in the advertising cooperative. We have the exclusive right to create, dissolve, and merge advertising cooperatives. We will also have the exclusive right to create and amend their governing documents. No advertising cooperative has yet been created and, therefore, no governing documents are available for your review.

Governing documents will provide that any advertising cooperative created under authority of a Franchise Agreement will (1) operate by majority vote, with each Restaurant (including our company and affiliate-owned Restaurants) entitled to one vote, (2) entitle us to cast one vote (in addition to any votes we may cast on behalf of company and affiliate-owned Restaurants), (3) permit the members of the advertising cooperative, by majority vote, to determine the amount of required contributions, (4) require the members of the cooperative and their elected officers to be responsible for administering and operating the cooperative, (5) require the cooperative to have an independent CPA prepare an annual financial statement, which will be made available to all members of that cooperative, and (6) provide that any funds left in the advertising cooperative at the time of its dissolution be returned to the members in proportion to their contributions during the 12-month period immediately preceding dissolution.

### Development Fund

You will contribute to a national brand development fund (“Development Fund”) we administer, which is intended for the common benefit of all Restaurants. Currently, we require you to contribute 2% of your weekly Gross Sales to the Development Fund. Your contributions to the Development Fund will be payable each Tuesday for the preceding week’s sales.

We may use Development Fund monies to pay for creative development services (including creation and modification of logos, menu design, graphics, and vehicle wraps); preparing or procuring market studies; providing or obtaining marketing services (including conducting customer surveys, focus groups, mystery shops, customer interviews, and marketing consultants); developing, producing, distributing, and placing advertising (including developing and producing point-of-sale advertising and promotional materials); administering print, mail or online advertising and marketing campaigns; developing product packaging; developing, updating, and hosting our web site (including development of local pages featuring franchised and company or affiliate-owned Restaurants and developing locator programs), software applications or mobile applications and/or an intranet or extranet system; engaging third-parties to provide services to franchisees (including marketing, promotional, and administrative support); obtaining sponsorships and endorsements and hosting franchisee meetings; preparing and conducting sweepstakes, contests, and other prize promotions; making charitable donations; and providing and procuring public relations services and conducting public relations activities. We also may use Development Fund monies to reimburse ourselves for our costs of personnel and other administrative and overhead costs associated with providing these services.

Although the Development Fund is intended to be perpetual, we may terminate the Development Fund at any time. If the Development Fund is terminated, all unspent monies in the Development Fund will be spent for authorized purposes or returned to the contributors of the Development Fund on a proportional basis of

their respective contributions. Any amounts paid to the Development Fund that are not spent in the year they are collected will remain in the Development Fund for future expenditures.

We will have sole control over the creative concepts, content, form, and media placement of all advertising and promotional materials developed with Development Fund monies, and the allocations of Development Fund monies to production, placement, and other costs. We are not required to spend any Development Fund monies for placement of advertising in your trading area, and we need not ensure that your Restaurant benefits directly or pro rata from any Development Fund expenditures. We will not use Development Fund monies for creating or placing any advertisement that is principally a solicitation for new franchisees, but we may include in all advertising prepared using Development Fund monies (including Internet advertising) information concerning franchise opportunities, and we may use a portion of Development Fund monies to create and maintain one or more pages on our web site devoted to advertising franchise opportunities and identifying and screening inquiries and applications submitted by franchise candidates. Development Fund contributions are not held in trust, and we have no fiduciary obligation to our franchisees with respect to collecting or spending Development Fund monies.

We will establish and may adjust the amount of Development Fund contributions on an annual basis. Neither we nor our affiliates are contractually required to contribute to the Development Fund, but company and affiliate-owned Restaurants currently do contribute to the Development Fund on the same basis as franchisees. There is no requirement that the Development Fund be audited. Upon your reasonable request, we will provide you with an unaudited statement of collections and expenses of the Development Fund in the previous fiscal year, within 120 days after the end of such fiscal year, if you operated as a franchisee during that fiscal year.

During our most recently completed fiscal year, Development Fund contributions were spent in the following proportions: (i) media production, including branding, creative development and printing of point-of-purchase displays, and other campaigns (~~15.3~~11.6%); (ii) media placement, including digital, online, and social media content and campaigns (~~45.0~~59.3%); (iii) digital and social platforms, including loyalty app, online ordering and social media and local page management (~~5.5~~4.8%); (iv) local store marketing support (~~8.9~~4.7%); (v) public relations (~~1.4~~0%); (vi) franchise support programs, including franchisee meetings, online review management, and food safety audits (~~4.1~~2.8%); ~~strategic analysis~~2.8%; and ~~research~~ (~~0.9~~0%); administrative expenses (~~17.4~~11.4%). The fund position at the end of fiscal year ~~2023~~2024 was ~~2.0~~4.4%.

#### Computer and Cash Register Requirements

You must acquire and use all computer systems that we prescribe for use by our franchisees (the “Computer System”) and may not use any computer system or components or software applications that do not conform to the Standards or that we have not approved in writing. Currently, the components of the Computer System consist of:

- One Radiant Systems® Aloha Point of Sale System [or similar Point of Sale System](#) with 2-7 POS Terminals
  - a. Cash drawer (s)
  - b. Epson U220 [or comparable](#) Receipt Printer(s)
  - c. Epson T88 [or comparable](#) Kitchen Printer (s)
- NCR Kitchen Display System (KC5 Win10) [or comparable Kitchen Display System](#)
- Equinox 6200m [or comparable system](#)
- Equinox 8500i [or comparable system](#)
- Managed Network Systems (and associated license and service fees)

- Delphi® Digital Menu Board System (required for Drive-Thru restaurants)~~NCR Hardware Maintenance Program~~
- [NCR Hardware Maintenance Program](#)
- Android® Digital Recipe Book
- One Desktop Computer and Printer
- ~~Audio System and Associated Music Subscriptions~~

We may require you to update or upgrade computer hardware components and/or software applications as we deem necessary, but not more than three times per calendar year. You must enter into all applicable software license agreements and software maintenance agreements, in the form and manner we prescribe, and pay all fees charged by third party software and software service providers, including the POS Support Fee and Mobile App, Online Ordering, & Loyalty Fee. At our request, you must sign or consent to a “terms of use” agreement with respect to all software applications that we designate. Except as may be provided in the agreements you sign with third-party providers, neither we, our affiliates, or any other third-parties are obligated to provide you ongoing maintenance, repairs, upgrades or updates to the Computer System. We may independently access from a remote location, at any time, all information input to, and compiled by, your computer system or an off-site server, including information concerning sales, purchase orders, inventory, and expenditures. There are no contractual limitations to our right to access the information and data. We may require you to sign a release with any vendor of the Computer System to grant us access to the information on the Computer System that we periodically require.

We estimate that the cost of the Computer System will range from ~~\$3236,000~~ to ~~\$46,100~~ [\\$50,000](#) for a Traditional Restaurant and ~~\$32,000 to \$39,000~~ for a Taqueria Restaurant. We estimate that your annual cost for maintenance, repairs, updates, and upgrades to the Computer System will range from \$1,000 to \$8,000. Some of those costs may be paid to us (or our affiliates) for maintenance or support services.

We also require the Computer System to meet our Standards for operation, security and connectivity, which may include, among other things, administrative, physical and technical safeguards, hook up to remote servers, off-site electronic repositories, and high-speed Internet connections and service. You must maintain your computer systems and network in good repair and working order and properly update and otherwise change your computer hardware and software systems as we may require. You must pay all amounts charged by any licensor of the systems and programs you use, including charges for use, maintenance, support and/or update of these systems or programs. There is no contractual limitation on our ability to require the hardware and any software programs be updated.

You must enter into all software license agreements, “terms of use” agreements, and software maintenance agreements that we designate, on terms and conditions that we have approved, and pay all fees charged by third party software and software service providers thereunder. We reserve the right to pay any fees incurred for your Restaurant to the applicable third-party vendor directly and invoice you for those costs. In addition, we have the right to charge, and you agree to pay, a technology fee in an amount determined by us from time to time. Currently, our technology fee ranges from ~~\$215200~~ to ~~\$345300~~ per month, depending on which package you choose. Additionally, we charge ~~\$245100~~ to ~~\$280450~~ per month [for Computer System support fees](#) and \$150 to ~~\$190230~~ per month for mobile app, online ordering and loyalty programs.

### Site Selection

When you sign the Franchise Agreement, we will agree on a “Site Selection Area” within which you must locate your Restaurant. You must secure a letter of intent for a site we have approved for your Restaurant (“Approved Location”) within 6 months after the Franchise Agreement is signed. We will approve or disapprove your proposed site within 30 business days after receiving all requested information. The criteria we use to evaluate the selected site include visibility, demographics, and local competition. You must

receive our approval of a proposed site before you may begin constructing your Restaurant. If you do not secure a letter of intent for an Approved Location within 6 months after the Franchise Agreement is signed, we may terminate the Franchise Agreement.

### Opening

We expect you to open your Restaurant within 6 to 15 months after signing the Franchise Agreement. Factors affecting this range include site availability, lease or purchase negotiations, and construction time. We can terminate the Franchise Agreement if you fail to secure a location for your Restaurant (by purchase or lease) within 6 months after the Franchise Agreement is signed, or if you fail to open for business by the date specified in your Franchise Agreement (typically, 6 months after securing a location).

## **ITEM 12 TERRITORY**

### Protected Area under the Franchise Agreement

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, after you have identified an Approved Location for your Restaurant, we will designate a geographic area surrounding your Restaurant, which will be described as a radius surrounding your Restaurant (or may be defined by ZIP codes or geographic boundaries) (your “Protected Area”). We typically define the boundaries of your Protected Area as a circle with your Restaurant at its center and a specified radius encompassing a total population of approximately 50,000 people. We may also define the boundaries of your Protected Area by political subdivisions (e.g., cities or counties), streets and, zip codes, or other similar designations. If a Franchise Agreement has been signed without an Approved Location, a Protected Area will be designated after an Approved Location has been identified and the Franchise Agreement will be amended to include such Protected Area.

During the franchise term, we will neither operate nor grant others the right to operate another Restaurant in your Protected Area. Excluded from this protection, however, is any facility located within the boundaries of the Protected Area that serves a captive market, including department stores, food retailers, supermarkets, shopping malls, enclosed shopping centers, amusement parks, airports, train stations and other modes of mass transportation, travel plazas, casinos, nightclubs, cinemas, theaters, restaurants, public facilities, college and school campuses, arenas, stadiums, ballparks, hospitals, healthcare facilities, hotels, guest lodging facilities, day care facilities of any kind, resorts, condominium and cooperative facilities, office buildings, convention centers, airlines (in-flight service), military bases and installations, government facilities, and any other public attraction or venue or mass gathering events or locations, and facilities of any kind for which food and/or beverage service rights are contracted to a third party or parties, which we consider “Closed Markets.” We may operate or grant others the right to operate one or more Restaurants, carts, kiosks, or similar businesses within Closed Markets at any location, including within your Protected Area.

We reserve the right for ourselves and our affiliates (a) to own and operate and to grant others the right to own and operate Restaurants at any location outside the Protected Area, regardless of proximity to the Protected Area; (b) the right to own and operate and to grant others the right to own and operate Restaurants and to otherwise license the use of any components of the System, including the Proprietary Marks, in any Closed Markets at any location, including within the Protected Area; and (c) the right to distribute any and all products and services and/or their components or ingredients identified by the Proprietary Marks, including those used or sold in your Restaurant, including, proprietary merchandise (such as shirts, hats, jackets, etc.) and pre-packaged products (such as frozen and ready-to-eat food items, spices and sauces,

etc.), through alternative channels of distribution, including grocery stores, supermarkets, convenience stores, restaurants, mail order, catalog sales, the internet or other electronic presence, or any other channel of distribution whatsoever except a Restaurant, whether or not such sales occur within your Protected Area. You are not entitled to compensation for any such sales made in your Protected Area. We also may offer, grant and support franchises under any name other than FUZZY'S TACO SHOP®, whether or not in the same, similar, or different line of business as your Restaurant.

Nothing prohibits or restricts us or our affiliates from owning, acquiring, establishing, operating, or granting franchise rights for (a) one or more other businesses at any location inside or outside of the Protected Area under a trademark or service mark other than FUZZY'S TACO SHOP®, whether or not the business is the same as, similar to, or competitive with the Restaurants; or (b) one or more businesses offering products or services other than fast-casual, ~~Baja style~~ Mexican food menu offerings, whether or not using the Proprietary Marks or some derivative of the Proprietary Marks, at any location inside or outside of the Protected Area.

To the extent that we require or permit you to offer catering, delivery or other off-site services, we may also limit your right to provide such services to a geographic area we or any of our designated third-party delivery provider designate for your Restaurant. If we or a designated third-party delivery provider specifies a geographic area in which you may offer and provide delivery, catering and/or other off-site services, you may not to offer or provide such services outside of that geographic area. Such geographic area may be modified by us or that third-party delivery provider from time to time and such geographic area may be different than your Protected Area.

Continuation of your territorial protection under the Franchise Agreement does not depend on your achieving a certain sales volume, market penetration, or other contingency.

We do not place any restrictions on the customers you may solicit, but you may not accept or fulfill orders to be delivered outside of your Protected Area unless we have given you prior written permission. You may not sell any Restaurant product or service through any alternative channel of distribution, including the internet.

#### Development Area under Franchise Development Agreement

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, your Franchise Development Agreement will identify a geographic area in which you must develop your Restaurants (the "Development Area"). You will build the mutually agreed on number of Restaurants, in accordance with the Development Schedule, in the Development Area.

During the term of the Franchise Development Agreement, we will not own or operate, or grant anyone else the right to operate, a Restaurant in the Development Area. Excluded from this protection, however, is any Closed Market located in the Development Area. We may operate or grant others the right to operate one or more Restaurants, carts, kiosks, or similar businesses within Closed Markets in any location, including within in your Development Area.

We reserve the right for ourselves and our affiliates (a) the right to own and operate and to grant others the right to own and operate Restaurants at any location outside the Development Area, regardless of proximity to the Development Area; (b) the right to own and operate and to grant others the right to own and operate Restaurants and to otherwise license the use of any components of the System, including without limitation Proprietary Marks, in any Closed Markets located at any location, including within the Development Area; and (c) the right to distribute any and all products and services and/or their components or ingredients

identified by the Proprietary Marks, including those used or sold in your Restaurants or development business, including, without limitation, proprietary merchandise (such as shirts, hats, jackets, etc.) and pre-packaged products (such as frozen and ready-to-eat food items, spices and sauces, etc.), through alternative channels of distribution, including grocery stores, supermarkets, convenience stores, restaurants, mail order, catalog sales, the internet or other electronic presence, or any other channel of distribution whatsoever except a Restaurant, whether or not such sales occur within your Development Area; you are not entitled to compensation for any such sales made in your Development Area. We also may offer, grant and support franchises under any name other than FUZZY'S TACO SHOP®, whether or not in the same, similar, or different line of business as your Restaurants or development business.

Nothing in this Agreement prohibits or restricts us from owning, acquiring, establishing, operating, or granting franchise rights for: (a) one or more other businesses at any location inside or outside of the Development Area under a trademark or service mark other than FUZZY'S TACO SHOP®, whether or not the business is the same as, similar to, or competitive with the Restaurants; or (b) one or more businesses offering products or services other than fast-casual, ~~Baja-style~~-Mexican food menu offerings, whether or not using the Proprietary Marks or some derivative of the Proprietary Marks, at any location inside or outside of the Development Area.

Continuation of your territorial protection under the Franchise Development Agreement does not depend on your achieving a certain sales volume, market penetration, or other contingency; but we may terminate the Franchise Development Agreement if you fail to satisfy your Development Schedule.

#### Additional Franchise Rights

We do not grant any right of first refusal to obtain additional franchises. If you wish to obtain an additional franchise location, you must enter into a separate Franchise Agreement for that location.

#### Relocation

You may relocate your Restaurant only with our written consent. If your lease expires or terminates through no fault of yours, or if your Approved Location is destroyed or materially damaged by fire, flood, or other natural catastrophe, we will permit you to relocate to another location within the Protected Area (described below). If we grant relocation rights for this reason, you must open your Restaurant for business at the new location within 180 days of closing the original location. If we permit you to relocate your Restaurant for any other reason, then you must open your Restaurant for business at the new location within five business days of closing the original location.

#### Affiliated Concepts

As described further in Item 1, in December 2022, our parent, FTOH, was acquired and we became a subsidiary of Dine Brands. As of the date of this Disclosure Document, our affiliate, Applebee's Franchisor LLC (or its affiliate), currently franchises and may operate restaurants of "Applebee's Neighborhood Grill & Bar," restaurant chain, which specializes in the sale of uniform, high quality, moderately priced food and alcoholic beverages in a distinctive, casual setting. Additionally, our affiliate, IHOP Franchisor LLC (or its affiliates) currently franchises and may operate restaurants of the "IHOP" and "International House of Pancakes" family restaurant chain, which currently offers, among other things, a variety of pancakes as well as omelets, breakfast specialties, burgers, sandwiches, salads, chicken and steaks. These restaurants operate under the "IHOP" and "International House of Pancakes" marks, as applicable for the IHOP system, and the "Applebee's" and "Applebee's Neighborhood Grill & Bar" marks for the Applebee's system. There is no restriction on these affiliates or their franchisees from developing restaurants of their systems or other restaurants that may sell similar products or services to Restaurants, or from soliciting and accepting orders

from customers in the Protected Area or Development Area of our franchisees and developers. We do not expect that there will be material conflicts between these franchise systems regarding territory, customers or franchisor support. If a conflict should arise between any Restaurant and any other restaurant operated or franchised by an affiliate of ours, we will analyze the conflict and take any action (or no action) as we deem appropriate. The principal business address for both the IHOP and the Applebee's operations is 10 West Walnut Street, Pasadena, California 91103, and as such the affiliated brand concepts currently operate from corporate offices and training facilities that are separate from ours.

### ITEM 13 TRADEMARKS

#### United States Marks

Fuzzy's IP owns the following Proprietary Marks, which have been registered on the Principal Register of the U.S. Patent and Trademark Office ("USPTO").

Mark	Reg. or App. No.	Reg. or App. Date
FUZZY'S TACO SHOP (Standard Characters)	Reg. 3494474	September 2, 2008
	Reg. 3969928	May 31, 2011
	Reg. 3969929	May 31, 2011
	Reg. 3969930	May 31, 2011
	Reg. 4074253	December 20, 2011
FUZZY'S TACO SHOP (Design Mark)	Reg. 3969926	May 31, 2011
	Reg. 3969927	May 31, 2011
FISH (Design Mark)	Reg. 3966229	May 24, 2011
	Reg. 3966231	May 24, 2011
	Reg. 3977110	June 14, 2011
	Reg. 4025141	September 13, 2011
	Reg. 4090575	January 24, 2012
WELCOME TO YOUR NEW ADDICTION (Standard Characters)	Reg. 3969936	May 31, 2011
	Reg. 3969937	May 31, 2011
	Reg. 3969939	May 31, 2011
FUZZY DUST (Standard Characters)	Reg. 3494473	September 2, 2008
BUTT BURNIN' HOT SAUCE (Standard Characters)	Reg. 3497574	September 9, 2008
FRESH FAST FUN (Standard Characters)	Reg. 5190933	April 25, 2017
BAJA LIFE (Standard Characters)	Reg. 5309388	October 17, 2017
FUZZY'S CHIPS IN (Standard Characters)	Reg. 6024871	March 31, 2020
EVERY DAY IS TACO DAY (Standard Characters)	Reg. 6164956	September 29, 2020
WHERE ALL CHILL BREAKS LOOSE (Standard Characters)		

Mark	Reg. or App. No.	Reg. or App. Date
FUZZY'S TACO SHOP (Design Mark) 	Reg. 6240561	January 5, 2021
	Reg. 6013006	March 17, 2020
	Reg. 7083560	June 20, 2023
	Reg. 6964395	January 24, 2023
	Reg. 6964396	January 24, 2023
	Reg. 7295341	January 30, 2024

~~On July 16, 2008, Fuzzy's IP applied to register the mark FUZZY'S TACO SHOP Design Mark on the Principal Register of the USPTO in connection with restaurant services. The USPTO issued a final office action refusing to register this mark on grounds that it was confusingly similar to the mark "FUZZY'S" registered by Fuzzy's Wholesale Bar-B-Q Co., Inc. in connection with restaurant and distributorship services. Nevertheless, the USPTO granted registration of the "FUZZY'S TACO SHOP" word mark in connection with restaurant services. We do not expect that the existence of the mark held by Fuzzy's Wholesale Bar-B-Q will have a material impact on your ability to operate a Restaurant using the "FUZZY'S TACO SHOP" name because of the USPTO's approval of the "FUZZY'S TACO SHOP" word mark.~~

There are no ~~other~~ currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and there are no pending infringement, opposition, or cancellation proceeding or any pending material litigation involving the Proprietary Marks described above. All required renewals and affidavits of use have been filed in a timely manner.

#### Use of Proprietary Marks

Fuzzy's IP has granted us the perpetual right to use and to sublicense the use of the Proprietary Marks and other intellectual property through a written license agreement dated May 30, 2008 (as amended, the "License Agreement"). If this License Agreement terminates, Fuzzy's IP will assume all of our rights and obligations under your Franchise Agreement. Except for the License Agreement, there are no agreements currently in effect that significantly limit our rights to use or to license the use of the Proprietary Marks in any manner material to your Restaurant. We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state, except as described below.

You must use the Proprietary Marks in full compliance with provisions of the Franchise Agreement and according to the trademark usage guidelines and rules we periodically prescribe. You may not use any Proprietary Mark for any of the following purposes: (1) as part of your corporate name or other legal name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols, (3) in selling any unauthorized services or products; (4) in advertising the transfer, sale, or other disposition of your Restaurant or an ownership interest in you; or (5) in any other manner that we have not expressly authorized in writing. You may not contest, directly or indirectly, our ownership, title, right, or interest in the name, marks, trade secrets, methods, procedures, and advertising techniques which are part of the System or contest our sole right to register, use or license others to use such names, marks, trade secrets, methods, procedures, or techniques.

## Internet and Social Media Usage

Without our approval, you may not (1) develop, establish, maintain or authorize any website, domain name, email address, social media account, user name, other online presence or presence on any electronic medium of any kind (each an “Online Presence”) that reflects or includes any of the Proprietary Marks or any Copyrighted Works, that otherwise states or suggests your affiliation with FUZZY’S TACO SHOP® or its franchise system, that uses or displays any menu items or collateral merchandise offered at your Restaurant, or that links to any Online Presence owned or maintained by us, or our affiliates, or any other Restaurant owner, (2) sell any products or services, whether directly or indirectly, through any Online Presence, or (3) engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If we approve the use of any such Online Presence in the operation of your Restaurant, you will develop and maintain such Online Presence only in accordance with our guidelines, including guidelines for posting any messages or commentary on other third-party websites and/or maintaining an online privacy policy. If we permit you to operate or maintain such an Online Presence, such Online Presences will be our sole and exclusive property and part of the System.

## Infringement

If there is any infringement of, or challenge to, your use of any name, mark, or symbol, you must immediately notify us, and we may take any action that we deem appropriate, in our sole discretion. The Franchise Agreement does not require us to take affirmative action if notified of the claim. We have the right to control all administrative proceedings or litigation involving your use of the Proprietary Marks. The Franchise Agreement does not require us to participate in your defense or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding based on your use of the Proprietary Marks, or if the proceeding is resolved unfavorably to you. If it becomes advisable at any time, in our sole discretion, to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks, you must pay for the tangible costs (such as replacing signs and materials) associated with such a change.

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

We do not own any patents that are material to the franchise. We have not filed any patent applications that are material to the franchise.

We claim copyright protection in many elements of the System, including the Manual, the design elements of the Proprietary Marks, our product packaging and advertising and promotional materials, and our web site content and design of (“Copyrighted Works”).

You must promptly notify us of any apparent infringement of, or challenge to, your use of any of the Copyrighted Works or Confidential Information. We are not required to take affirmative action when notified of a claim, or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Copyrighted Works or Confidential Information or if the proceeding is resolved unfavorably to you, but will take whatever action we determine to be appropriate under the circumstances. We have the right to control all administrative proceedings or litigation involving the Copyrighted Works and Confidential Information.

If we or our affiliate undertakes the defense or prosecution of any litigation pertaining to any of the Copyrighted Works or Confidential Information, you must sign all documents and perform such acts and things as may, in the opinion of our legal counsel, be necessary to carry out the defense or prosecution.

If you, any of your owners or any of your employees, independent contractors or other personnel develop any new concept, product, sales technique, or improvement in the operation or promotion of a Restaurant,

you must promptly notify us, and such materials will be our sole and exclusive property, part of the System, and works made-for-hire for us. If requested by us, you on your behalf (and on behalf of any applicable owner) assign your respective rights in and to the concept, product, sales technique, or improvement and take whatever other actions are requested by us to assign all rights and title to such materials to us. We may disclose the information to our affiliates and other FUZZY'S TACO SHOP® franchisees as we deem appropriate, without compensating you.

### ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

~~Under both the Franchise Agreement and the Franchise Development Agreement, if you are a business entity, you must identify one of your owners who is a natural person with at least a 25% ownership interest and voting power in you to act as your "Principal Owner". We reserve the right to approve any person who will act as a Principal Owner. In the event that any Principal Owner ceases to own at least a 25% interest in you, we disapprove of any Principal Owner, or any Principal Owner dies or becomes incapacitated, you must recruit a new Principal Owner to fulfill the applicable obligations under the Franchise Agreement or the Franchise Development Agreement within 30 days. You must provide us all information that we request in connection with reviewing and approving the person you recruit as your new Principal Owner. Your Principal Owner~~ You are solely responsible for the management, direction and control of your Restaurant and may elect not to supervise your Restaurant on a full-time basis. You must designate and retain an individual who we approve that has met all of our qualifications to supervise your Restaurant on a full-time basis (your "Designated Manager"). Your Designated Manager is authorized to deal with us (and our affiliates) on your behalf for all matters that may arise with respect to the Franchise Agreement or the ~~Franchise~~-Development Agreement. Any decision made by the ~~Principal Owner~~ Designated Manager will be final and binding on you, and we (and our affiliates) are entitled to rely solely on the decision of the ~~Principal Owner~~ Designated Manager without discussing the matter with any other party.

~~You are solely responsible for the management, direction and control of your Restaurant. However, you (or your Principal Owner) may elect not to supervise your Restaurant on a full-time basis, provided that you designate and retain an individual who has met all of our qualifications to supervise your Restaurant on a full-time basis (your "Designated Manager").~~ Your Restaurant must be supervised at all times by your Designated Manager, or another individual who has completed to our satisfaction our initial training program and all other training that we require and who meets our then-current criteria. We highly recommend, but do not require, that your Designated Manager own an equity interest in your franchisee entity. If your Designated Manager changes, a new Designated Manager must be immediately appointed and must complete all training requirements within 60 days.

**Each Owner in the franchise or the franchisee entity, or the development business or developer, must sign an Undertaking and Guaranty substantially in the form of Attachment D-1 to the Franchise Agreement or Exhibit D to the Franchise Development Agreement (as applicable). The Undertaking and Guaranty means that each individual owner and their spouse personally guarantees to us that they will perform and be jointly and severally liable for all obligations under the Franchise Agreement or Franchise Development Agreement (as applicable) in a timely manner according to the respective terms of the Franchise Agreement or Franchise Development Agreement (as applicable). An "Owner" is defined as any person, corporation, partnership, limited liability company, or other legal entity with any direct or indirect equity interest in the franchisee (regardless of voting rights), and, if the Owner is an individual, such person's spouse. From time to time, we may make exceptions to this requirement in our sole discretion.**

You and your owners and employees must maintain the confidentiality of all trade secrets, the Standards and all other elements of the System, all customer information, all information contained in the Manual, our proprietary recipes and techniques for product preparation, and any other information that we designate as confidential. Each of your owners and key management employees must sign the Confidentiality and Non-Competition Agreement attached as Attachment D-2 to the Franchise Agreement (see [Exhibit C-2](#)). We may also require any other of your employees with access to confidential information to sign a confidentiality and non-competition agreement substantially in the form designated by us.

## **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may offer only the products and services that we authorize and may not offer or sell products or services not authorized by us. You must offer all products and services that we have authorized. This restriction applies to entertainment equipment such as any juke boxes, vending or game machines, gum machines, game, rides, gambling or lottery devices, coin or token operated machines, and other music, film, or video devices. We may add, eliminate, or modify authorized goods and services, in our sole discretion. There are no contractual limitations on our rights to make these changes. The Franchise Agreement gives us the right to establish the maximum and/or minimum retail prices you may charge customers for the products and services we authorize you to offer and sell. The Franchise Agreement gives you the right to operate a Restaurant and to offer products and services only at the Approved Location. To the extent that we, from time to time, expand our service offerings to provide catering and delivery services, you may provide such services in the Protected Area (or other area that we may authorize) according to the Franchise Agreement and our then-current Standards. We may also require you to fulfill online orders through one or more approved delivery providers or mobile ordering platforms.

We may vary the menu offerings that you are authorized to offer based on the specifications of your Restaurant, the market you operate in, and other factors unique to your Restaurant, including authorizing a limited menu if you operate a Taqueria Restaurant or other non-traditional Restaurant.

You must participate in and offer to your customers all customer loyalty and reward programs and all contests, sweepstakes, and other prize promotions. We will provide you the details of each program and promotion, and you must promptly display all point-of-sale advertising and promotion-related information at such places within your Restaurant as we may designate. You must purchase and distribute all coupons, clothing, toys, and other collateral merchandise (and only the coupons, clothing, toys, and collateral merchandise) we designate for each such program or promotion.

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this disclosure document.**

**Franchise Agreement**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 2.A	10 years.
b. Renewal or extension of the term	Section 2.B	If you are in good standing you may elect to continue operating for two additional 10-year successor terms.
c. Requirements for franchisee to renew or extend	Section 2.B	Provide notice; may not be in default of Franchise Agreement or any other agreement; must renovate and remodel Restaurant according to our then-current remodel requirements; you and employees must be in compliance with our then-current training requirements; you must have the right to possess your Approved Location or have secured a substitute location; you and all guarantors must sign a general release (subject to applicable law); must have operated substantially in compliance with the Franchise Agreement during the term; pay our then-current fee and sign our then-current form of Franchise Agreement, which may contain terms and conditions materially different than your original Franchise Agreement.
d. Termination by franchisee	No provision	Not applicable.
e. Termination by franchisor without cause	No provision	Not applicable.
f. Termination by franchisor with cause	Section 18	We can terminate if you default. The Franchise Agreement and Franchise Development Agreement contain cross-default provisions.
g. "Cause" defined – curable defaults	Section 18.C	Your failure to pay monies owed to us, our affiliates, or your trade creditors within 10 days after delivery of written notice; misuse of the Marks, our copyrighted works or other intellectual property not cured within 5 days after delivery of written notice; Restaurant is cited for violation of health, sanitation, or safety laws and not cured within 3 days after receipt of citation; failure to comply with any other provision

Provision	Section in Franchise Agreement	Summary
		of the Franchise Agreement with 30 day cure period (except as described in (h) below).
h. “Cause” defined – non-curable defaults	<p>Section 18.A</p> <p>Section 18.B</p>	<p>Franchise Agreement will terminate automatically without notice and without opportunity to cure upon certain bankruptcy or insolvency-related events (subject to federal bankruptcy law), or in the event of foreclosure or lien against the assets of your Restaurant.</p> <p>We may terminate Franchise Agreement without providing you an opportunity to cure if you fail to identify an Approved Location or open your Restaurant when required; you abandon your Restaurant; any mandatory attendees fail to complete the initial training program; you abandon your Restaurant or lose the right to possess the Approved Location; default under a mortgage, deed of trust or lease or sublease; false or misleading representations; you or any owner is convicted or pleads no contest to certain types of crimes; you or any owner violates any restrictive covenants; your Restaurant fails consecutive quality assurance audit; unauthorized transfers; health or safety violations; termination of any other Franchise Agreement between you or your affiliates and us; we deliver to you three or more notices of defaults during any rolling 24-month period, whether or not the defaults describes in the notices ultimately are cured.</p>
i. Franchisee’s obligations on termination/nonrenewal	Section 19	<p>You have 6 months to transfer the interest of an owner in the event of death or permanent incapacity.</p> <p>Upon termination or expiration, you must: close the Restaurant for business; stop using the Marks; stop identifying yourself as a Restaurant owner or franchisee; pay all amounts you owe us and our affiliates; if we are not buying the Restaurant, remove all signage and other branded trade dress; stop using contact info and Online Presences and/or transfer them to us; return all confidential information; and comply with all other Standards for de-identification.</p>
j. Assignment of contract by franchisor	Section 17.A	No restriction on our right to assign our interest in the Franchise Agreement or to transfer any of our assets or equity.
k. “Transfer” by franchisee – defined	Section 17.B	Includes transfer of Franchise Agreement, changes in ownership of the entity which is a party to the agreement, and transfers of assets.
l. Franchisor approval of transfer by franchisee	Section 17.B	We have the right to approve all transfers but will not unreasonably withhold approval.

Provision	Section in Franchise Agreement	Summary
m. Conditions for franchisor approval of transfer	Section 17.B	You must meet the following conditions: notice to us prior to transfer; all monetary obligations must be satisfied; you must be in full compliance with the Franchise Agreement and all other agreements; you and each owner must sign our then-current transfer agreements and documentation, which will include a general release (subject to applicable law); the transferee must meet our criteria for new franchisees; the transferee must sign our then-current form of Franchise Agreement for the remainder of the franchise term left on your agreement; the transferee must refurbish the Restaurant within 45 days of transfer approval; you must agree to remain liable for all pre-transfer obligations; the transferee must comply with our then-current training requirements; the landlord allows transfer of the lease; the economic terms of the transfer may not, in our opinion, materially and adversely affect the post transfer viability of your Restaurant; you provide copies of all transfer documents; you show operational transition of Restaurant, including insurance, contracts and licenses.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 17.C	We may match any bona fide offer to purchase your business.
o. Franchisor's option to purchase your business	No provision	Not applicable
p. Death or disability of franchisee	Section 17.D	Transfer of interest to his or her spouse or third party within 6 months of death or incapacity, subject to our approval and right of first refusal.
q. Non-competition covenants during the term of the franchise	Section 14	During the term, neither you nor any owner may be involved in any taco shop or other Mexican-style restaurant.
r. Non-competition covenants after the franchise is terminated or expires	Section 14	For a two-year period following termination or expiration of the franchise, neither you nor any owner may be involved in any taco shop or other Mexican-style restaurant that is located <b>(1)</b> at location of any former Restaurant, <b>(2)</b> within the former Protected Area, or <b>(3)</b> within 25 miles of any other Restaurant.
s. Modification of the agreement	Section 22.B	The Franchise Agreement may be modified only by a written document signed by both parties.
t. Integration/merger clause	Section 22.A	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside the disclosure document and Franchise Agreement may not be enforceable.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
u. Dispute resolution by arbitration or mediation	Section 23.A	All controversies, disputes or claims between us must be submitted for binding arbitration to the American Arbitration Association on demand of either party.
v. Choice of forum	Section 23.C	All disputes must be instituted and maintained in the county or district in which we or our successors or assigns maintain our or our successors' or assigns' principal business offices, currently, Irving, Texas (subject to state law), but we and you may enforce any orders and awards in the courts of the state(s) in which you are domiciled or your Restaurant is located (subject to state law).
w. Choice of law	Section 23.B	Except for the Federal Arbitration Act and other federal law, Texas law applies (subject to state law).

### **Franchise Development Agreement**

<b>Provision</b>	<b>Section in Franchise Development Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 2.1	The period beginning on the effective date and ending on the earlier of: (i) the date on which you have completed your development obligations, or (ii) 12:00 midnight CST on the last day specified in the Development Schedule.
b. Renewal or extension of the term	Section 4.3	You may elect to acquire 2 consecutive five-year successor terms, if you meet our criteria.
c. Requirements for franchisee to renew or extend	No provision	Delivery of all transfer documents; transferee meets then-current criteria for developers; meeting all monetary obligations under all agreements; full compliance with Development Schedule and all agreements with us; transfer of all Franchise Agreements and Restaurants developed (if transfer of Franchise Development Agreement or controlling interest) in compliance with those Franchise Agreements; execution of general release (subject to applicable law); payment of transfer fee; execution of then-current Franchise Development Agreement; execution of personal guaranty by owners of transferee; payment of any applicable resale fees.
d. Termination by franchisee	No provision	Not applicable.

Provision	Section in Franchise Development Agreement	Summary
e. Termination by franchisor without cause	No provision	Not applicable.
f. Termination by franchisor with cause	Section 9	We can terminate if you default. The Franchise Agreement and Franchise Development Agreement contain cross-default provisions.
g. “Cause” defined – curable defaults	Sections 9.3 and 9.4	You have 10 days to cure a failure to maintain insurance or pay any amounts you owe us or your trade creditors, and 30 days to cure any other default.
h. “Cause” defined – non-curable defaults	Sections 9.1 and 9.2	Non-curable defaults: bankruptcy or insolvency, failure to meet Development Schedule; conviction of felony or crime with adverse effect; unapproved transfers; any breach of confidentiality or unfair competition; material misrepresentations; repeated defaults, even if cured; and cross defaults.
i. Franchisee’s obligations on termination/nonrenewal	Section 2.2	You have 6 months to transfer the interest of an owner in the event of death or permanent incapacity. Upon termination or expiration, you must cease conducting the business granted under the Franchise Development Agreement, cease holding yourself out as a developer of Restaurants, and return all Confidential Information.
j. Assignment of contract by franchisor	Section 8.1	No restriction on our right to assign our interest in the Franchise Development Agreement or to transfer any of our assets or equity.
k. “Transfer” by franchisee – defined	Sections 8.2	Includes transfer of the Franchise Development Agreement, changes in ownership of the entity which is a party to the agreement, and transfers of assets.
l. Franchisor approval of transfer by franchisee	Section 8	We have the right to approve all transfers but will not unreasonably withhold approval.

Provision	Section in Franchise Development Agreement	Summary
m. Conditions for franchisor approval of transfer	Section 8	You must meet the following conditions: notice to us prior to transfer; transferee meets our criteria and transfer will not adversely affect its business; no outstanding monetary obligations; refurbishment of all Restaurants within 45 days of transfer approval; you and each owner must sign our then-current transfer agreements and documentation, which will include a general release (subject to applicable law); payment of transfer fee; execution of then-current Franchise Development Agreement by transferee; guaranty signed by owners of transferee; you agree to remain liability under your Franchise Development Agreement; initial training completed by transferee; resale fees to us. You may not transfer the Franchise Development Agreement or a controlling interest in your business entity without a simultaneous assignment to the same assignee of all of the Franchise Agreements signed under it and the associated Restaurants.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 8.4	We may match any bona fide offer to purchase your Franchised Business.
o. Franchisor's option to purchase your business	No provision	Not applicable
p. Death or disability of franchisee	Section 8.5	Transfer of interest to his or her spouse or third party within 6 months of death or incapacity, subject to applicable transfer conditions.
q. Non-competition covenants during the term of the franchise	Section 10.1	During the term, you and your owners may not be involved in a taco shop or Mexican-style restaurant.

Provision	Section in Franchise Development Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 10.2	For a two-year period following termination or expiration of your Franchise Development Agreement, neither you nor any owner may be involved in any taco shop or other Mexican-style restaurant that is located <i>(1)</i> at the location of any former Restaurant, <i>(2)</i> within the former Protected Area, or <i>(3)</i> within 25 miles of any other Restaurant.
s. Modification of the agreement	Section 13.2	The Franchise Agreement may be modified only by a written document signed by both parties.
t. Integration/merger clause	Section 13.1	Only the terms of the Franchise Development Agreement are binding (subject to state law). Any representations or promises outside the disclosure document and Franchise Development Agreement may not be enforceable. Nothing in the Franchise Agreement, however, is intended to disclaim the representations we made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 14.1	All controversies, disputes or claims between us must be submitted for binding arbitration to the American Arbitration Association on demand of either party.
v. Choice of forum	Section 14.3	All disputes must be instituted and maintained in the county or district in which we or our successors or assigns maintain our or our successors' or assigns' principal business offices (subject to state law), but we and you may enforce any orders and awards in the courts of the state(s) in which you are domiciled or your Restaurant is located (subject to state law).
w. Choice of law	Section 14.2	Except for the Federal Arbitration Act and other federal law, Texas law applies (subject to state law).

**ITEM 18  
PUBLIC FIGURES**

We do not currently use any public figure to promote the franchise.

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

**CHART 1: Historical Gross Sales of Traditional Franchised Restaurants for the State of Texas and for the Rest of the United States**

Chart 1 contains historic average, median, high and low gross sales for the 12-month period of January 1, ~~2023~~2024 to December ~~31, 2023~~29, 2024. We included all franchised traditional Fuzzy’s Restaurants that were active and operating as of December ~~31, 2023~~29, 2024; except we excluded all 6 non-traditional Restaurants and 1 Taqueria Restaurant as their format and/or menu offerings are different from the franchised traditional Fuzzy’s Restaurants reported on below. The restaurants are organized based on their location in the State of Texas (which has a higher concentration of Fuzzy’s Restaurants than the rest of the United States) or the rest of the United States.

Location	# of Restaurants	Annualized Average Gross Sales	# and % of units that exceeded Average Gross Sales	Median	High	Low
Texas	<del>68</del> 59	<del>\$ 1,390,778</del> 310,796	26 / <del>38</del> 44%	<del>\$1,261,003</del> 185,839	<del>\$2,565,548</del> 541,137	<del>\$523,782</del> 553,987
Rest of U.S.	<del>56</del> 47	<del>\$ 1,999,570</del> 933,698	<del>27 / 48</del> 22 / 47%	<del>\$1,805,703</del> 809,325	<del>\$4,500,591</del> 1001,722	<del>\$729,243</del> 603,910

**CHART 2: Historical Gross Sales of Traditional Franchised Restaurants for the State of Texas by Quartiles**

Chart 2 contains historic average, median, high and low gross sales for the 12-month period of January 1, ~~2023~~2024 to December ~~31, 2023~~29, 2024. We included all franchised traditional Fuzzy’s Restaurants located in the State of Texas (which has a higher concentration of Fuzzy’s Restaurants than the rest of the United States) that were active and operating as of December ~~31, 2023~~29, 2024; except we excluded all ~~46~~ non-traditional Restaurants located in Texas as their format and/or menu offerings are different from the franchised traditional Fuzzy’s Restaurants reported on below. The restaurants are organized into four quartiles in descending order, with the first quartile comprising the Restaurants that generated the highest gross sales and the fourth quartile comprising the Restaurants that generated the lowest gross sales.

Location	# of Restaurants	Annualized Average Gross Sales	# and % of units that exceeded Average Gross Sales	Median	High	Low
1 <sup>st</sup> Quartile	<del>8</del> 15	<del>\$2,259,715</del> <del>\$ 1,915,049</del>	<del>4 / 50</del> 7 / 47%	<del>\$2,241,455</del> 1,824,528	<del>\$2,565,548</del> 541,137	<del>\$2,030,671</del> 1,545,050
2 <sup>nd</sup> Quartile	<del>19</del> 15	<del>\$ 1,644,086</del> 350,331	<del>8 / 42</del> 9 / 60%	<del>\$1,587,564</del> 374,373	<del>\$2,007,819</del> 1,440,511	<del>\$1,376,320</del> 185,839
3 <sup>rd</sup> Quartile	<del>21</del> 14	<del>\$ 1,228,028</del> 092,395	<del>10 / 48</del> 8 / 57%	<del>\$1,220,468</del> 100,522	<del>\$1,355,456</del> 175,784	<del>\$1,122,874</del> 017,502
4 <sup>th</sup> Quartile	<del>20</del> 15	<del>\$973,448</del> <del>\$ 870,851</del>	<del>15 / 75</del> 10 / 67%	<del>\$1,053,306</del> 939,508	<del>\$1,115,564</del> 970,425	<del>\$523,782</del> 553,987

**CHART 3: Historical Gross Sales of Traditional Franchised Restaurants for the United States,**

## Excluding the State of Texas, by Quartiles

Chart 3 contains historic average, median, high and low gross sales for the 12-month period of January 1, ~~2023~~2024 to December ~~31, 2023~~29, 2024. We included all franchised traditional Fuzzy’s Restaurants located in the United States, excluding the State of Texas (which has a higher concentration of Fuzzy’s Restaurants than the rest of the United States), that were active and operating as of December ~~31, 2023~~29, 2024; except we excluded ~~all 2 non-traditional Restaurants and 1~~ Taqueria Restaurant located outside of Texas as ~~their~~its format and/or menu offerings ~~are~~is different from the franchised traditional Fuzzy’s Restaurants reported on below. The restaurants are organized into four quartiles in descending order, with the first quartile comprising the Restaurants that generated the highest gross sales and the fourth quartile comprising the Restaurants that generated the lowest gross sales.

Location	# of Restaurants	Annualized Average Gross Sales	# and % of units that exceeded Average Gross Sales	Median	High	Low
1 <sup>st</sup> Quartile	<del>25</del> 12	<del>\$2,811,842</del> \$ 3,055,439	<del>9 / 364</del> / 33%	<del>\$2,533,858</del> 948,588	<del>\$4,500,591</del> 001,722	<del>\$2,028,551</del> 549,824
2 <sup>nd</sup> Quartile	12	<del>\$1,701,331</del> \$ 2,108,601	<del>6 / 505</del> / 42%	<del>\$1,693,833</del> 2,067,508	<del>\$2,195,447</del> 536,512	<del>\$1,388,091</del> 809,325
3 <sup>rd</sup> Quartile	12	<del>\$</del> \$ 1,235,883520,557	6 / 50%	<del>\$1,216,034</del> 528,308	<del>\$1,386,888</del> 807,971	<del>\$1,129,280</del> 259,198
4 <sup>th</sup> Quartile	<del>7</del> 11	<del>\$919,044</del> \$ 969,874	<del>3 / 437</del> / 64%	<del>\$892,622</del> 1,005,939	<del>\$1,085,573</del> 118,433	<del>\$729,243</del> 603,910

### Notes

- (1) We compiled the gross sales data included in Charts 1 through 3 above from information submitted to us by our franchisees for royalty reporting. These amounts are not audited. Upon your reasonable request, we will provide written substantiation for these financial performance representations.
- (2) “Gross Sales” is defined as the dollar aggregate of: **(1)** the sales price of all food and beverage items, goods, wares, and merchandise sold, and the charges for all services you perform, whether made for cash, on credit, or otherwise, without reserve or deduction for inability or failure to collect, including sales and services **(A)** originating at from operation of your Restaurant even if delivery or performance is made offsite from your Approved Location, **(B)** placed by mail, facsimile, telephone, any Online Presence, and similar means if received or filled at or from your Approved Location, **(C)** from mechanical and other vending devices in your Restaurant, and **(D)** that you in the normal and customary course of your operations would credit or attribute to the operation of a Restaurant; and **(2)** all monies, trade value, or other things of value that you receive from Restaurant operations that are not expressly excluded from Gross Sales. Gross Sales does not include: **(1)** the exchange of merchandise between Franchisor (if you operate multiple Restaurants) if the exchanges are made solely for the convenient operation of your business and not for the purpose of depriving Franchisor of the benefit of a sale that otherwise would have been made by your Restaurant; **(2)** returns to shippers, vendors, or manufacturers; **(3)** sales of fixtures or furniture after being used in the conduct of the Franchised Business; **(4)** the sale of gift certificates or stored value cards (the redemption value will be included in Gross Sales at the time of redemption); **(5)** insurance proceeds; **(6)** the amount of any discount offered to employees or customers; **(7)** cash or credit refunds for transactions included within Gross Sales (limited, however, to the selling price of merchandise

returned by the purchaser and accepted by you); **(8)** the amount of any city, county, state, or federal sales, luxury, or excise tax on such sales that is both **(a)** added to the selling price or absorbed therein and **(b)** paid to the taxing authority by you. A purchase being returned to your Restaurant may not be deducted from Gross Sales unless the purchase was previously included in Gross Sales. This definition is provided in the Franchise Agreement.

**Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.**

Other than the preceding financial performance representations, we do not make any financial performance representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Jacob Barden, Senior Vice President, Development, 10 West Walnut Street, Pasadena, California 91103, (818) 637-5206, [jacob.barden@dinebrands.com](mailto:jacob.barden@dinebrands.com), the Federal Trade Commission and the appropriate state administrators.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

The numbers in the following tables are for the fiscal years ending January ~~2, 2022~~, ~~January~~ 1, 2023, December 31, 2023, and December ~~31, 2023~~ 29, 2024. All Restaurants reported are Traditional Restaurants unless indicated in the footnotes. All company-owned Restaurants are operated by one of our affiliates.

**Table No. 1**  
**System-Wide Outlet Summary**  
**For Years ~~2021~~2022 to ~~2023~~2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2021</del> <u>2022</u>	<del>135</del> <u>134</u>	134	<del>-10</del>
	<del>2022</del> <u>2023</u>	134	<del>134</del> <u>131</u>	<del>0</del> <u>-3</u>
	<del>2023</del> <u>2024</u>	<del>134</del> <u>131</u>	<del>131</del> <u>116</u>	<del>-3</del> <u>-15</u>
Company Owned	<del>2021</del> <u>2022</u>	<del>5</del> <u>3</u>	3	<del>-20</del>
	<del>2022</del> <u>2023</u>	3	<del>3</del> <u>1</u>	<del>0</del> <u>-2</u>
	<del>2023</del> <u>2024</u>	<del>3</del> <u>1</u>	1	<del>-20</del>
TOTAL OUTLETS	<del>2021</del> <u>2022</u>	<del>140</del> <u>137</u>	137	<del>-30</del>
	<del>2022</del> <u>2023</u>	137	<del>137</del> <u>132</u>	<del>0</del> <u>-5</u>
	<del>2023</del> <u>2024</u>	<del>137</del> <u>132</u>	<del>132</del> <u>117</u>	<del>-5</del> <u>-15</u>

**Table No. 2**  
**Transfers of Outlets from Franchisee to New Owners (other than the Franchisor)**  
For years ~~2021~~2022 to ~~2023~~2024

State	Year	Number of Transfers
Florida	<del>2021</del> 2022	0
	<del>2022</del> 2023	<del>0</del> 1
	<del>2023</del> 2024	<del>1</del> 0
Missouri	<del>2021</del> 2022	<del>0</del> 5
	<del>2022</del> 2023	<del>5</del> 0
	<del>2023</del> 2024	0
Texas	<del>2021</del> 2022	<del>4</del> 2
	<del>2022</del> 2023	2
	<del>2023</del> 2024	<del>2</del> 0
Iowa	<del>2021</del> 2022	0
	<del>2022</del> 2023	0
	<del>2023</del> 2024	0
Totals	<del>2021</del> 2022	<del>4</del> 7
	<del>2022</del> 2023	<del>7</del> 3
	<del>2023</del> 2024	<del>3</del> 0

**Table No. 3**  
**Status of Franchised Outlets**  
For Years ~~2021~~2022 to ~~2023~~2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Alabama	<del>2021</del> 2022	0	<del>0</del> 1	0	0	0	0	<del>0</del> 1
	<del>2022</del> 2023	<del>0</del> 1	<del>1</del> 0	0	0	0	<del>0</del> 1	<del>1</del> 0
	<del>2023</del> 2024	<del>1</del> 0	<del>0</del> 1	0	0	0	<del>1</del> 0	<del>0</del> 1
Arizona	<del>2021</del> 2022	2	0	0	0	0	0	2
	<del>2022</del> 2023	<del>0</del> 2	<del>0</del> 1	0	0	0	0	2
	<del>2023</del> 2024	2	0	0	0	0	<del>0</del> 1	<del>2</del> 1
Arkansas	<del>2021</del> 2022	1	0	0	0	0	0	1
	<del>2022</del> 2023	<del>0</del> 1	<del>0</del> 1	0	0	0	0	1
	<del>2023</del> 2024	1	0	0	0	0	0	1
Colorado	<del>2021</del> 2022	<del>1</del> 6	<del>1</del> 7	0	0	0	0	17
	<del>2022</del> 2023	17	0	0	0	0	0	17
	<del>2023</del> 2024	17	0	0	0	0	<del>0</del> 1	<del>17</del> 16
Florida	<del>2021</del> 2022	<del>1</del> 8	0	0	0	0	<del>3</del> 0	8
	<del>2022</del> 2023	8	<del>0</del> 1	0	0	0	<del>0</del> 1	8
	<del>2023</del> 2024	8	<del>1</del> 0	0	0	0	<del>1</del> 2	<del>8</del> 6
Georgia	<del>2021</del> 2022	<del>2</del> 1	<del>0</del> 1	0	0	0	<del>1</del> 0	<del>1</del> 2

	2022	<del>12</del>	<del>+0</del>	0	0	0	<del>01</del>	<del>21</del>
	2023	<del>21</del>	0	0	0	0	1	<del>+0</del>
Iowa	2021	43	0	0	0	0	<del>+0</del>	3
	2022	3	0	<del>01</del>	0	0	<del>01</del>	<del>31</del>
	2023	<del>31</del>	0	<del>+0</del>	0	0	<del>+0</del>	1
Kansas	2021	7	<del>01</del>	0	0	0	0	<del>78</del>
	2022	<del>78</del>	<del>+0</del>	0	0	0	0	8
	2023	8	0	0	0	0	<del>02</del>	<del>86</del>
Louisiana	2021	<del>+0</del>	<del>01</del>	0	0	0	<del>+0</del>	<del>01</del>
	2022	<del>01</del>	<del>+0</del>	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Minnesota	2021	<del>01</del>	<del>+0</del>	0	0	0	0	1*
	2022	1	0	0	0	0	0	1*
	2023	1	0	0	0	0	0	1
Mississippi	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Missouri	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	<del>03</del>	<del>74</del>
	2023	<del>74</del>	0	0	0	0	<del>30</del>	4
Nebraska	2021	1	0	0	0	0	<del>01</del>	<del>+0</del>
	2022	<del>+0</del>	0	0	0	0	<del>+0</del>	0
	2023	0	0	0	0	0	0	0
Nevada	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
North Carolina	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Ohio	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Oklahoma	2021	<del>78</del>	<del>+0</del>	0	0	0	0	8
	2022	8	<del>01</del>	0	0	0	0	<del>89</del>
	2023	<del>89</del>	<del>+0</del>	0	0	0	0	9
South Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	<del>01</del>	<del>+0</del>
Texas	2021	<del>7273</del>	<del>+3</del>	0	0	<del>01</del>	<del>05</del>	<del>7370</del>
	2022	<del>7370</del>	<del>31</del>	0	0	<del>+0</del>	<del>51</del>	<del>7072**</del>
	2023	<del>7072</del>	<del>+2</del>	0	<del>01</del>	0	<del>+7</del>	<del>72**66</del>
Virginia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	<del>01</del>	<del>+0</del>
Wisconsin	2021	0	0	0	0	0	0	0
	2022	0	<del>01</del>	0	0	0	0	<del>01</del>
	2023	<del>01</del>	<del>+0</del>	0	0	0	<del>01</del>	<del>+0</del>
Wyoming	2021	<del>01</del>	<del>+0</del>	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Totals	2021	<del>135134</del>	<del>57</del>	<del>0</del>	<del>0</del>	<del>01</del>	<del>6</del>	<del>134</del>
	2022	<del>134</del>	<del>74</del>	<del>01</del>	<del>0</del>	<del>+0</del>	<del>68</del>	<del>134131</del>

	<del>2023</del>	<del>134</del> <u>131</u>	<del>4</del> <u>3</u>	<del>0</del>	<del>0</del> <u>1</u>	<del>0</del>	<del>9</del> <u>17</u>	<del>131</del> <u>116</u>
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\*This location is a Taqueria Restaurant.

\*\* These figures include 2 Restaurants that were company-owned and then subsequently acquired by a franchisee.

**Table No. 4**  
**Status of Company Owned Outlets**  
**For Years ~~2021~~2022 to ~~2023~~2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Texas	<del>2021</del>	<del>3</del> <u>2</u>	0	<del>0</del> <u>1</u>	0	<del>1</del> <u>0</u>	<del>2</del> <u>3</u>
	<del>2022</del>	<del>2</del> <u>3</u>	0	<del>1</del> <u>0</u>	0	<del>0</del> <u>2</u>	<del>3</del> <u>1</u>
	<del>2023</del>	<del>3</del> <u>1</u>	0	0	0	<del>2</del> <u>0</u>	1
Ohio	<del>2021</del>	<del>2</del> <u>1</u>	0	0	1	0	<del>1</del> <u>0</u>
	<del>2022</del>	<del>1</del> <u>0</u>	0	0	<del>1</del> <u>0</u>	0	0
	<del>2023</del>	0	0	0	0	0	0
Totals	<del>2021</del>	<del>5</del> <u>3</u>	0	<del>0</del> <u>1</u>	1	<del>1</del> <u>0</u>	3
	<del>2022</del>	3	0	<del>1</del> <u>0</u>	<del>1</del> <u>0</u>	<del>0</del> <u>2</u>	<del>3</del> <u>1</u>
	<del>2023</del>	<del>3</del> <u>1</u>	0	0	0	<del>2</del> <u>0</u>	1

**Table No. 5**  
**Projected Openings for ~~2024~~2025**  
**As of January 1, ~~2024~~2025**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
<del>Alabama</del>	0	1	0
California	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>	0
Colorado	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>	0
<del>Georgia</del> <u>Missouri</u>	<del>1</del> <u>0</u>	<del>0</del> <u>1</u>	0
<del>Kansas</del>	0	1	0
Nevada	0	2	0
<u>Oklahoma</u>	<u>0</u>	<u>1</u>	<u>0</u>
<u>Texas</u>	<u>0</u>	<u>3</u>	<u>0</u>
<b>Total</b>	<del>1</del> <u>2</u>	<del>6</del> <u>7</u>	<b>0</b>

See Exhibit E to this disclosure document for: (i) a list of our franchisees as of December ~~31, 2023~~29, 2024, and (ii) a list of our franchisees who left the franchise system in the fiscal year ended December ~~31, 2023~~29, 2024, or who have not communicated with us in 10 weeks prior to the date of this disclosure document. If

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

During the last three years, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with FUZZY'S TACO SHOP®. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

A Franchise Advisory Council of current franchisees was created by and is sponsored by Franchisor and/or its affiliates. It has no separate address, telephone number, email address or web address.

## ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit D to this disclosure document are copies of our audited balance sheets as of January ~~2, 2022, January 1, 2023,~~ December 31, 2023, and December ~~31, 2023~~29, 2024 and the related audited statements of income, members' equity, and cash flows for the fiscal years then ended.

~~Also included are the audited financial statements of our parent company, Dine Brands as of its fiscal years ending January 2, 2022, January 1, 2023, and December 31, 2023. These financials are included because Dine Brands performs certain post-sale obligations for the franchisor; Dine Brands does not guarantee our performance of obligations to our franchisees.~~

We ~~and Dine Brands~~ have a 52/53 week fiscal year ending on the Sunday nearest to December 31 of each year. For convenience, in this disclosure document, we may sometimes refer to fiscal years as ending on December 31 and fiscal quarters as ending on the nearest calendar quarter-end. There were 52 calendar weeks in our ~~and Dine Brands' 2021 fiscal year ended on January 2, 2022, 52 calendar weeks in our and Dine Brands' 2022 fiscal year ended on January 1, 2023, and 52 calendar weeks in our and Dine Brands' 2023 fiscal year ended on December 31, 2023,~~ and 52 calendar weeks in our 2024 fiscal year ended on December 29, 2024.

## ITEM 22 CONTRACTS

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

Exhibit C-1 - Franchise Development Agreement

Exhibit C-2 - Franchise Agreement

Exhibit C-3 - General Release.

Exhibit C-4 - Consent to Transfer

Exhibit F - State Riders to the Franchise Agreement and Franchise Development Agreement

## ITEM 23 RECEIPT

The last two pages of this disclosure document are detachable duplicate Receipts. Please sign and date both copies of the Receipt. Keep one signed copy of the Receipt for your file and return to us the other signed copy of the Receipt. The Receipt page also contains the names, addresses and telephone numbers of our franchise sellers or brokers.

**EXHIBIT A  
TO FUZZY'S TACO SHOP®  
FRANCHISE DISCLOSURE DOCUMENT**

**OPERATIONS MANUAL TABLE OF CONTENTS**

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**EXHIBIT B  
TO FUZZY'S TACO SHOP®  
FRANCHISE DISCLOSURE DOCUMENT**

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

**LIST OF STATE ADMINISTRATORS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500 / Toll Free: (866) 275-2677          Email: ASK.DFPI@dfpi.ca.gov          Website: <a href="http://www.dfp.ca.gov">http://www.dfp.ca.gov</a></p>	<p><b>NEW YORK</b>          NYS Department of Law          Investor Protection Bureau          28 Liberty St. 21st Fl          New York, NY 10005          (212) 416-8222</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Department          State Capitol          Department 414          600 East Boulevard Avenue, Fourteenth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Office of the Attorney General          Franchise Bureau          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Department of Business Regulation          Securities Division, Building 69, First Floor          John O. Pastore Center          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Division of Insurance          Securities Regulation          124 South Euclid Avenue, 2<sup>nd</sup> Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Office of the Attorney General          Securities Division          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          State Corporation Commission          Division of Securities and Retail Franchising          1300 East Main Street, 9th Floor          Richmond, Virginia 23219          (804) 371-9051</p>
<p><b>MICHIGAN</b>          Michigan Attorney General’s Office          Corporate Oversight Division, Franchise Section          525 West Ottawa Street          G. Mennen Williams Building, 1<sup>st</sup> Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Department of Financial Institutions          Securities Division          P.O. Box 41200          Olympia, Washington 98504-1200          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Minnesota Department of Commerce          85 7<sup>th</sup> Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Division of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>

**AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500 / Toll Free: (866) 275-2677          Email: ASK.DFPI@dfpi.ca.gov          Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a></p>	<p><b>NEW YORK</b>          New York Secretary of State          One Commerce Plaza          99 Washington Avenue          Albany, NY 12231          (518) 473-2492</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Commissioner          State Capitol          Department 414          600 East Boulevard Avenue, Fourteenth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Attorney General          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Director of Department of Business Regulation          Department of Business Regulation          Securities Division, Building 69, First Floor          John O. Pastore Center          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Division of Insurance          Director of the Securities Regulation          124 South Euclid Avenue, 2<sup>nd</sup> Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Maryland Securities Commissioner          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          Clerk of the State Corporation Commission          1300 East Main Street, 1<sup>st</sup> Floor          Richmond, Virginia 23219          (804) 371-9733</p>
<p><b>MICHIGAN</b>          Michigan Attorney General’s Office          Corporate Oversight Division, Franchise Section          525 West Ottawa Street          G. Mennen Williams Building, 1<sup>st</sup> Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Director of Department of Financial Institutions          Securities Division – 3<sup>rd</sup> Floor          150 Israel Road, Southwest          Tumwater, Washington 98501          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Commissioner of Commerce          Minnesota Department of Commerce          85 7<sup>th</sup> Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Division of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>

**EXHIBIT C-1  
TO FUZZY'S TACO SHOP®  
FRANCHISE DISCLOSURE DOCUMENT  
FRANCHISE DEVELOPMENT AGREEMENT**

**FUZZY'S TACO SHOP®**  
**FRANCHISE DEVELOPMENT AGREEMENT**

**FUZZY'S TACO SHOP®**  
**FRANCHISE DEVELOPMENT AGREEMENT**

**SUMMARY PAGES**

**EFFECTIVE DATE:** \_\_\_\_\_

**DEVELOPER:** \_\_\_\_\_

**ADDRESS FOR NOTICES:** \_\_\_\_\_

**TELEPHONE NUMBER:** \_\_\_\_\_

**E-MAIL ADDRESS:** \_\_\_\_\_

**FRANCHISOR:** FUZZY'S TACO OPPORTUNITIES, LLC

**ADDRESS FOR NOTICE:** 4200 Regent Blvd., Suite C-210  
Irving, Texas 75063  
Attn: \_\_\_\_\_

**NUMBER OF RESTAURANTS  
TO BE DEVELOPED:** \_\_\_\_\_

**DEVELOPMENT FEE:** \$ \_\_\_\_\_

\_\_\_\_\_  
Franchisor Initial

\_\_\_\_\_  
Developer Initial

**FUZZY’S TACO SHOP®  
FRANCHISE DEVELOPMENT AGREEMENT**

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**ATTACHMENTS**

<u>Attachment A</u>	Glossary of Additional Terms
<u>Attachment B-1</u>	Development Area <del>and</del>
<u>Attachment B-2</u>	<u>Development</u> Schedule
<u>Attachment C</u>	Entity Information
<u>Attachment D</u>	Guaranty and Personal Undertaking
<u>Attachment E</u>	Form of Franchise Agreement

**FUZZY'S TACO SHOP®**  
**FRANCHISE DEVELOPMENT AGREEMENT**

This FRANCHISE DEVELOPMENT AGREEMENT (“Agreement”) is made and entered into as of the Effective Date reflected in the Summary Pages (“Effective Date”), by and between Fuzzy’s Taco Opportunities, LLC, a Texas limited liability company, with its principal office in Irving, Texas (“Franchisor”), and the Developer identified in the Summary Pages (“you” or “Developer”):

A. Franchisor and its Affiliates (as defined on Attachment A) have, through the expenditure of time, skill, effort, and money, developed a unique and distinctive business system relating to the construction, development, establishment, and operation of fast-casual dining restaurants using the System (as defined below) which offer a ~~Baja-style~~ Mexican food menu for dine-in consumption and take-out service, and related products and services Franchisor authorizes from time to time (each a “Restaurant”);

B. Restaurants operate under the trade names, service marks, trademarks, logos, emblems, logotypes, and other indicia of origin, including such other trade names, service marks, trademarks, logos, emblems, and indicia of origin as Franchisor may hereafter create, use or license (“Proprietary Marks”);

C. Restaurants will operate using a distinctive business model, including, but not limited to, the mandatory standards, specifications, recipes, policies, procedures, techniques and operating procedures that Franchisor has developed for the location, establishment, operation, and promotion of Restaurants, all of which may be changed, improved, and further developed by Franchisor from time to time (“Standards”);

D. Franchisor and its Affiliates continue to develop, establish, use, and control the use of the Proprietary Marks, Copyrighted Works (as defined on Attachment A) and the Standards (collectively, the “System”), to identify for the public the source of services and products marketed under this Agreement and by Restaurants, and to represent the System’s high standards of quality, appearance, and service;

E. Franchisor desires to expand and develop the Restaurants in the Development Area (as defined in Section 1.1.1), and Developer wishes to develop, establish, and operate multiple franchised Restaurants in the Development Area, upon the terms and conditions set forth in this Agreement.

**AGREEMENT**

IN CONSIDERATION OF the mutual promises contained in this Agreement, including the recitals and summary pages set forth above, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

**ARTICLE 1**  
**GRANT**

**1.1 Grant of Development Rights**

1.1.1. Franchisor hereby grants to you, and you hereby accept from Franchisor, the right and obligation, to develop, in the geographic area identified in Attachment B-1 to this Agreement (the “Development Area”), the total number of Restaurants set forth on Attachment B-2 to this Agreement for each applicable Development Period (as defined in Section 4.3). Each Restaurant to be developed must be developed and operated pursuant to a separate Franchise Agreement to be entered into between Developer and Franchisor in accordance with Section 4.1 of this Agreement. The development rights may only be exercised within the Development Area.

1.1.2. This Agreement grants you no right or license to use the Proprietary Marks, or any other component of the System, such right and license, if any, being granted solely pursuant to Franchise

Agreements that are executed pursuant to this Agreement. Without limiting the generality of the foregoing, nothing in this Agreement shall permit you to own or operate a Restaurant except pursuant to a duly executed and then-currently effective Franchise Agreement.

1.1.3. This Agreement grants you no right to offer, sell, or negotiate the sale of FUZZY'S TACO SHOP® franchises to any third party, either in your own name or in the name and/or on behalf of Franchisor, or to otherwise sub-franchise, subcontract, sublicense, share, divide, or partition this Agreement, and nothing in this Agreement will be construed as granting you the right to do so. You shall not execute any Franchise Agreement with Franchisor, or construct or equip any Restaurant with a view to offering or assigning such Franchise Agreement or Restaurant to any third party, except as permitted by Section 8.2 of this Agreement.

## **1.2. Development Area Protection**

1.2.1. During the term of this Agreement, and provided that you are in full compliance with this Agreement and all other agreements between you and Franchisor, Franchisor will not own or operate, or grant anyone else the right to operate, a Restaurant in the Development Area. Excluded from this protection, however, is any Closed Market (as defined on Attachment A) located in the Development Area. Franchisor and/or its Affiliates have the unlimited rights to operate or grant others the right to operate one or more Restaurants, including Restaurants operating in the form of carts, kiosks, mobile units, concessions, or similar businesses, within Closed Markets located in any location, including within your Development Area; by contrast, you are precluded from engaging in such activity.

1.2.2. Franchisor retains for itself and/or its Affiliates all other rights in and to the System including, without limitation: (a) the right to own and operate and to grant others the right to own and operate Restaurants at any location outside the Development Area, regardless of proximity to the Development Area; (b) the right to own and operate and to grant others the right to own and operate Restaurants and to otherwise license the use of any components of the System, including without limitation Proprietary Marks, in any Closed Markets located at any location, including within the Development Area; and (c) the right to distribute any and all products and services and/or their components or ingredients identified by the Proprietary Marks, including those used or sold in your Franchised Business, including, without limitation, proprietary merchandise (such as shirts, hats, jackets, etc.) and pre-packaged products (such as frozen and ready-to-eat food items, spices and sauces, etc.), through alternative channels of distribution, including, without limitation, grocery stores, supermarkets, convenience stores, restaurants, mail order, catalog sales, the internet or other electronic presence, or any other channel of distribution whatsoever except a Restaurant, whether or not such sales occur within your Development Area; you are not entitled to compensation for any such sales made in your Development Area.

1.2.3. Nothing in this Agreement prohibits or restricts Franchisor from owning, acquiring, establishing, operating, or granting franchise rights for: (a) one or more other businesses at any location inside or outside of the Development Area under a trademark or service mark other than FUZZY'S TACO SHOP®, whether or not the business is the same as, similar to, or competitive with the Restaurants; or (b) one or more businesses offering products or services other than fast-casual, ~~Baja-style~~ Mexican food menu offerings, whether or not using the Proprietary Marks or some derivative of the Proprietary Marks, at any location inside or outside of the Development Area.

1.2.4. To the extent that there are one or more existing Restaurants in the Development Area on the Effective Date, then the Development Area shall exclude the geographic area indicated on Attachment B-1 hereto surrounding each such existing Restaurant and, in the event that a replacement restaurant for any of such existing Restaurant is opened within the protected area of such existing Restaurant, the Development Area shall also exclude a geographic area around such replacement restaurant. In the event an existing Restaurant ceases to do business and a replacement restaurant is not built, its previously

excluded geographic area shall no longer be excluded from the Development Area; however, any development of a previously excluded area shall not be counted in determining whether you have satisfied the Development Obligation, and you shall pay the initial franchise fee therefor as then in existence.

## ARTICLE 2 TERM

### 2.1 **Term.**

2.1.1. The initial term of this Agreement (“Initial Term”) shall commence on the Effective Date and, unless otherwise negotiated, terminated, or extended as provided in this Agreement, all rights granted by Franchisor hereunder will expire on the earlier of: (a) the date on which you have completed your Development Obligation (as defined in Section 5); or (b) 12:00 midnight CST on the last day of the Development Schedule (as defined in Section 4.3).

2.1.2. Unless this Agreement is terminated prior to the expiration of the Initial Term, you may elect to extend the term of this Agreement for up to two (2) consecutive five-year periods (each an “Extended Term”) upon the same terms and obligations as the Initial Term, except as may otherwise be provided in this Agreement. The first Extended Term, if any, will expire on the earlier of: (a) at 12:00 midnight CST on the fifth anniversary of the expiration of the Initial Term; or (b) the date on which you have completed your Development Obligation applicable to the first Extended Term. The second Extended Term, if any, will expire on the earlier of: (a) at 12:00 midnight CST on the fifth anniversary of the expiration of the first Extended Term; or (b) the date on which you have completed your Development Obligation applicable to the second Extended Term.

2.1.3. Your right to extend the term of this Agreement under Section 2.1.2 above is strictly subject to Franchisor’s express written approval, based on your satisfaction of the operational, financial, and legal conditions set forth in Section 4.2 of this Agreement, and your satisfaction of the following conditions:

(a) You and/or your Affiliates have opened and are operating, as of the expiration date of the then-current term, the number of Restaurants as are required to be open and operating under the Development Schedule applicable to that term;

(b) You and your Affiliates are in full compliance with this Agreement and all Franchise Agreements then in effect;

(c) You and Franchisor mutually agree on a new development schedule for the proposed Extended Term not later than 120 days prior to the end of the then-current term. Such development schedule shall provide for a number of additional Restaurants at a Restaurant-opening rate per period not less than the rate specified for the last Development Period of the then-current term, unless Franchisor has determined, in its sole discretion, that the Development Area will not support such additional number of Restaurants, in which case Franchisor may reduce the minimum number of Restaurants for such Extended Term. If the parties cannot agree on a development schedule within this 120-day period, then this Agreement shall terminate automatically upon expiration of the then-current term;

(d) You pay Franchisor’s then-current Development Fee, calculated based on the number of Restaurants that will be developed during any Extended Terms as proposed by you and approved by Franchisor (which Franchisor will later credit on a per-agreement basis toward satisfaction of the Initial Franchise Fees due under the Franchise Agreements to be signed for those Restaurants); and

(e) You, each Owner, and each of your Affiliates who then has a then-currently effective Franchise Agreement or Franchise Development Agreement with Franchisor signs a general and full release, in a form prescribed by Franchisor, of any and all claims, whether known or unknown, against Franchisor and its Affiliates, and each such company's officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any Franchise Agreement, the offer and sale of any FUZZY'S TACO SHOP® franchise opportunity, or any federal, state or local laws, rules, regulations or orders; provided that any such release may not be inconsistent with any state law regulating franchising.

You must give Franchisor written notice of whether or not you intend to exercise your option for an Extended Term no less than eight months, nor more than 12 months, before expiration of the then-current term. Failure to timely provide the required written notice constitutes a waiver of your option to remain a developer beyond the expiration of the then-current term.

Within four months after Franchisor's receipt of written notice of your desire for an Extended Term, Franchisor shall advise you whether or not you are entitled to remain a developer for an Extended Term. If Franchisor does not intend to permit you to remain a developer for an Extended Term, the notice shall specify the reasons for non-renewal. If Franchisor chooses not to permit you to remain a developer for an Extended Term, it shall have the right to unilaterally extend the then-current term of this Agreement as necessary to comply with applicable laws.

If you are granted an Extended Term, Franchisor will deliver to you for execution a new franchise development agreement at least one month prior to the expiration of the then-current term. The form of successor franchise development agreement shall be the form then in general use by Franchisor for new FUZZY'S TACO SHOP® developers (or, if Franchisor is not then granting development rights, then the form of franchise development agreement as specified by Franchisor), which may differ from this Agreement. Your Development Area under the successor franchise development agreement will be the same as under this Agreement.

You must pay a renewal fee of Five Thousand Dollars (\$5,000) and execute Franchisor's then-current franchise development agreement for an Extended Term and return the signed agreement to Franchisor prior to expiration of the then-current term. Failure to pay the renewal fee and/or sign the franchise development agreement and to return it to Franchisor within this time shall be deemed a waiver of your option for an Extended Term and result in termination of this Agreement and the development rights granted by this Agreement at the expiration of the then-current term. If you have timely complied with all of the conditions set forth in this Section 2.1.3, Franchisor shall execute the successor agreement and promptly return a fully executed copy to you.

**2.2 Effect of Termination or Expiration.** Upon termination or expiration of this Agreement, all territorial protection afforded under this Agreement shall end, and you shall have no further right to develop any Restaurants for which a Franchise Agreement has not been signed. Thereafter, you must cease conducting the business granted hereunder or holding yourself out to the public as being a developer of Restaurants except as permitted under then-existing Franchise Agreements. You must also immediately surrender to Franchisor all copies of all Confidential Information (as defined in Attachment A) in your possession, and all copies thereof, and shall retain no copy or record of any of the foregoing, excepting only your copy of this Agreement, any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law.

### ARTICLE 3 FEES

**3.1 Development Fee.** You shall pay Franchisor a nonrefundable development fee in the amount specified on the Summary Pages (your “Development Fee”). The Development Fee will be credited towards the Initial Franchise Fee you are required to pay under each Franchise Agreement.

**3.2 Method of Payment.** You must make all payments due under this Agreement in the manner we designate from time to time and you agree to comply with all of our payment instructions. All amounts payable by you or your owners to us or our affiliates must be in United States Dollars (\$USD).

### ARTICLE 4 DEVELOPMENT SCHEDULE AND CONDITIONS FOR EXERCISING DEVELOPMENT RIGHTS

**4.1 Separate Franchise Agreements.** You must sign Franchisor’s then-current form of Franchise Agreement for each Restaurant you agree to develop under this Agreement by the deadline specified in the Development Schedule, except that the initial franchisee fee for each such Franchise Agreement will be the amount set forth on the Summary Pages, and will be paid in accordance with Section 3.1. The form of Franchise Agreement you sign may contain different terms from any existing Franchise Agreement you have, and from each other, including changes to royalties and development fund fees.

**4.2 Conditions for Exercising Development Rights.** Prior to securing possession of any proposed site for a Restaurant, or undertaking any development for a Restaurant, you shall apply to Franchisor for a franchise to operate a Restaurant within the Development Area. If Franchisor, in its sole discretion, determines that you have met each of the following operational, financial, and legal conditions, then Franchisor will grant you a franchise for a Restaurant in the Development Area:

(a) You are in compliance with the Development Schedule and this Agreement, and you or your Affiliates are in compliance with all other agreements between them and Franchisor or its Affiliates. You are conducting the operation of your existing Restaurants, if any, and are capable of conducting the operation of the proposed Restaurant in accordance with the terms and conditions of this Agreement, the respective Franchise Agreements, and the standards, specifications, and procedures set forth and described in the Manual (as defined on Attachment A).

(b) You and the Owners satisfy Franchisor’s then-current criteria for franchisees and Owners of Restaurants, which may include your financial condition, and the financial condition of your Owners. You are not in default, and have not been in default during the rolling 12 months preceding your request for financial approval, of any monetary obligations owed to Franchisor or its Affiliates under any Franchise Agreement or any other agreement between you or your Affiliates and Franchisor or its Affiliates. You acknowledge and agree that it is vital to Franchisor’s interest that each of its franchisees must be financially sound to avoid failure of a Restaurant and that such failure would adversely affect the reputation and goodwill associated with the Proprietary Marks and the System.

(c) You have submitted to Franchisor, in a timely manner, all information and documents requested by Franchisor as a basis for the granting a franchise for a Restaurant, or pursuant to any right granted under this Agreement or by any Franchise Agreement.

**4.3 Development Schedule.** During each time period specified on Attachment B-2 (each a “Development Period”), you must comply with your Development Obligation in accordance with all deadlines specified on Attachment B-2. By the end of each Development Period, you must have developed,

and have open and operating in compliance with an effective Franchise Agreement, no fewer than the cumulative total number of Restaurants listed on [Attachment B-2](#) for such Development Period. You may not develop more than the number of Restaurants listed for any Development Period without Franchisor's prior written consent, which may be withheld in its sole discretion; provided, however, that if Franchisor grants you approval to develop any Restaurants in excess of the number of Restaurants required to be developed in any Development Period, those Restaurants shall be applied to satisfy your Development Obligation during the next succeeding Development Period (if any). You acknowledge that all of the deadlines set forth in this [Section 4.3](#) and on [Attachment B-2](#) (collectively, the "Development Schedule") are reasonable. Your failure to adhere to the Development Schedule will constitute a material breach of this Agreement, as provided in [Section 9.2](#) of this Agreement.

## ARTICLE 5 DEVELOPER'S OBLIGATIONS

**5.1. Development Obligations.** Subject to your compliance with [Section 4.2](#) of this Agreement, you agree to execute a Franchise Agreement for each Restaurant, select a site for that Restaurant, and develop and open that Restaurant, in accordance with the term and conditions of its applicable Franchise Agreement (collectively, the "Development Obligation") in accordance with the Development Schedule. Franchisor shall approve and countersign the Franchise Agreement if you meet all of the conditions to your development rights, as specified in [Section 4.2](#), as of the date Franchisor receives your request, and as of the date Franchisor receives your executed Franchise Agreement.

**5.2. Compliance with Laws.** You shall fully comply with all federal, state and local laws, rules, and regulations when exercising your rights and fulfilling its obligations under this Agreement.

**5.3 Records and Reporting.** You agree to provide Franchisor, at the intervals and in the format reasonably required by Franchisor, updates of your business activities, including information about your efforts to meet your Development Obligation, business plans, and actual revenue and costs, for your activities under this Agreement. Within 28 days after the end of each calendar quarter (including the end of your fiscal year), you must provide Franchisor with a balance sheet and profit and loss statement for you and your Affiliates covering that quarter and the year-to-date. Further, at Franchisor's request, you will provide financial information of your Owners sufficient to demonstrate such Owners ability to satisfy their financial obligations under this Agreement.

## ARTICLE 6 CONFIDENTIALITY

**6.1 Nondisclosure of Confidential Information.** You and each Owner acknowledge that all Confidential Information belongs exclusively to Franchisor. You and each Owner agree to use and permit the use of the Confidential Information only in connection with the development and operation of the Restaurants, to maintain the confidentiality of all Confidential Information, to not duplicate any materials containing Confidential Information. You and each Owner further agree that you will not at any time, during the term of this Agreement or after expiration or earlier termination of this Agreement: (i) divulge any Confidential Information to anyone, except to other franchisees, your employees having a need to know, and your professional advisors having a need to know; (ii) divulge or use any Confidential Information for the benefit of yourself, your Owners, or any third party (including any person, business entity, or enterprise of any type or nature), except in the operation of your Franchised Business, and then only in strict compliance with the Manual and System; or (iii) directly or indirectly imitate, duplication, or "reverse engineer" any of the Confidential Information, or aid any third party in such actions. Upon the expiration or earlier termination of this Agreement, you will return to Franchisor all Confidential Information which

is then in your possession, including, without limitation, customer lists and records, all training materials and other instructional content, all financial and non-financial books and records, the Manual and any supplements to the Manual, and all computer databases, software, and manual. Franchisor reserves the right, upon its specific written request, to require you to destroy all or certain such Confidential Information and to certify such destruction to Franchisor. You specifically acknowledge that all customer lists or information added by your Franchised Business is not your property, but is Franchisor's property, and you further agree to never contend otherwise.

## ARTICLE 7 INDEPENDENT CONTRACTOR, INSURANCE, AND INDEMNIFICATION

**7.1 Independent Contractor.** You and Franchisor acknowledge and agree that you are operating the business contemplated under this Agreement as an independent contractor. Nothing contained in this Agreement shall create or be construed to create a partnership, joint venture, or agency relationship between the parties. Neither party shall have fiduciary obligations to the other, or be liable for the debts or obligations of the other. Neither party shall have the right to bind the other, transact business in the other party's name or in any manner make any promises or representations on behalf of the other party, nor contract any debts or obligations on behalf of the other party, or their Affiliates, unless otherwise agreed in writing by the parties. You shall conspicuously identify yourself and the business contemplated under this Agreement in all dealings with your customers, contractors, suppliers, public officials, and others, as an independent franchisee of Franchisor, and shall place a conspicuous notice, in the form and at such place as Franchisor prescribes, notifying the public of such independent ownership.

**7.2. Insurance Obligations.**

7.2.1. You shall maintain in full force and effect at all times during the term of this Agreement, at your expense, an insurance policy or policies, in such amounts as Franchisor may, in its sole discretion, require from time to time, protecting you, Franchisor and its Affiliates, and their respective partners, shareholders, directors, managers, agents, and employees, against any demand or claim, including products liability, with respect to personal and bodily injury, death, or property damage, or any private or public loss, liability, or expense arising or occurring upon or in connection with the operation of the business contemplated under this Agreement.

7.2.2. Such policy or policies shall: (a) be written by insurer(s) licensed and admitted to write coverage in the state in which the Franchised Business is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide; (b) name Franchisor and its Affiliates, and their partners, officers, subsidiaries, Affiliates, shareholders, directors, regional directors, agents, and employees as additional named insureds for each policy for liability coverage on a primary non-contributory basis, using a form of endorsement Franchisor has approved; (c) the additional insured coverage must be provided on an Additional Insured Grantor of Franchise Endorsement per form CG2029 (or an endorsement form with comparable wording acceptable to Franchisor); and (d) comply with Franchisor's written requirements at the time such policies are obtained, and provide at least the types and minimum amounts of coverage that Franchisor requires from time to time. Franchisor may unilaterally modify these insurance requirements, which modifications may include increasing minimum policy limits, by delivering to you written notice of the change.

7.2.3. In connection with any and all insurance coverage you are required to maintain under this Section 7.2, you and your insurers shall agree to waive their rights of subrogation against Franchisor, and you shall provide evidence of such waiver to Franchisor upon demand.

7.2.4. Your obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 7.3 of this Agreement.

7.2.5. All liability and property damage policies shall contain a provision that Franchisor and its Affiliates, although named as an additional insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor, or its Affiliates, partners, shareholders, officers, directors, agents, or employees by reason of your negligence.

7.2.6. At least 10 days prior to the time you are first required to carry insurance, and thereafter at least 30 days prior to the expiration of any policy, you shall deliver to Franchisor certificate of insurance evidencing your compliance with this Section 7. Each certificate of insurance shall expressly provide that no less than 30 days' prior written notice shall be given to Franchisor in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such certificates.

7.2.7. If you fail to procure or maintain these minimum insurance requirements, Franchisor or its designee shall have the right and authority (but not the obligation) to procure such insurance on your behalf. Such right shall be in addition to and not in lieu of any other rights or remedies available to Franchisor. If this occurs, you shall reimburse Franchisor all out-of-pocket costs incurred by Franchisor in obtaining such insurance on your behalf plus an administrative fee equal to 10% of the annual premium(s) for all insurance policies obtained by Franchisor on your behalf.

**7.3. Indemnification.** You shall defend at your own cost and indemnify and hold harmless to the fullest extent permitted by law, Franchisor and its Affiliates, and their respective directors, officers, managers, owners, employees, agents, shareholders, designees, and representatives (collectively, the "Indemnities") from all Losses and Expenses (as defined below) incurred in connection with any action, suit, proceeding, claim, cause of action, 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, arises out of, is based upon, is a result of, or is in any way related to any of the following: (1) any actual or alleged infringement or any other violation or any other alleged violation of any patent, trademark, copyright, or other proprietary right owned or controlled by third parties by you or your owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with your exercise of rights under this Agreement or otherwise; (2) any actual or alleged violation or breach of any contract, federal, state, or local law, regulation, ruling, standard, or directive of any industry standard by you or your owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with your exercise of rights under this Agreement or otherwise; (3) any actual or alleged libel, slander, or any other form of defamation by you or your owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with your exercise of rights under this Agreement or otherwise; (4) any actual or alleged violation or breach of any warranty, representation, agreement, or obligation in this Agreement by you or your owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with your exercise of rights under this Agreement or otherwise; (5) any and all acts, errors, or omissions engaged in by you or your owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with your exercise of rights under this Agreement or otherwise, arising out of or related to the design, construction,

conversion, build out, outfitting, remodeling, renovation, upgrading, or operation of the Restaurants to be developed under this Agreement, whether any of the foregoing was approved by Franchisor; (6) any and all acts, errors, or omissions engaged in by you or your owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with your exercise of rights under this Agreement or otherwise, including, but not limited to, any personal injury, death, or property damage suffered or caused by any customer, visitor, operator, employee, or guest of the Restaurants to be developed under this Agreement; (7) your establishment, construction, opening, or operation of the Restaurants to be developed under this Agreement, including, but not limited to, any personal injury, death, or property damage suffered or caused by any customer, visitor, operator, employee, or guest of the Restaurants to be developed under this Agreement; crimes committed on or near any of the premises or facilities of or vehicles used in connection with the Restaurants to be developed under this Agreement; or any services or products provided by you at or from the Restaurants to be developed under this Agreement or otherwise related to the operation of the Restaurants to be developed under this Agreement; (8) any services or products provided by any affiliated or nonaffiliated participating entity; (9) any action by any customer, visitor, operator, employee, or guest of the Restaurants to be developed under this Agreement or any other facility of you or your Affiliates; (10) your operation of the business contemplated under this Agreement, your obligations under this Agreement (including your breach of this Agreement); and (11) any damage to the property of you or Franchisor, their agents, or employees, or any third person, firm, or corporation, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees, or resulted from any strict liability imposed on Franchisor or any of its agents or employees.

**THE INDEMNIFICATION REQUIRED UNDER THIS SECTION 7.3 SHALL APPLY TO ALL CLAIMS, INCLUDING THOSE THAT ARISE, OR ARE ALLEGED TO ARISE, AS A RESULT OF FRANCHISOR'S OWN NEGLIGENCE OR GROSS NEGLIGENCE, IF ANY, WHETHER FRANCHISOR'S NEGLIGENCE OR GROSS NEGLIGENCE IS THE SOLE, CONTRIBUTING, OR CONCURRING CAUSE OF SUCH ALLEGED DAMAGES THAT MIGHT BE ASSERTED; UNLESS THE CLAIMS, OBLIGATIONS, OR DAMAGES ARE DETERMINED TO BE CAUSED SOLELY BY FRANCHISOR'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT IN A FINAL RULING ISSUED BY A COURT OR ARBITRATOR WITH COMPETENT JURISDICTION.**

For purposes of this Agreement, the term “Losses and Expenses” means, without limitation, all claims, losses, liabilities, costs, and expenses including compensatory, exemplary, incidental, consequential, statutory, or punitive damages or liabilities; fines, penalties, charges, expenses, lost profits, attorneys’ fees, expert fees, costs of investigation, court costs, settlement amounts, judgments, compensation for damages to Franchisor’s reputation and goodwill, costs of or resulting from delays, and financing; travel, food, lodging, and other expenses necessitated by Franchisor’s need or desire to appear before, or witness the proceedings of, courts or tribunals (including arbitration tribunals), or governmental or quasi-governmental entities, including those incurred by Franchisor’s attorneys or experts to attend any of the same; costs of advertising material and media/time/space, and costs of changing, substituting, or replacing the same; and any and all expenses of recall, refunds, compensation, public notices, and all other amounts incurred by Franchisor in connection with the matters described above. All such Losses and Expenses incurred by Franchisor will be chargeable to and payable by you pursuant to this Section 7.3, regardless of any actions, activities, or defenses undertaken by Franchisor or the subsequent success or failure of such actions, activities, or defenses.

You shall give Franchisor written notice of any event of which you are aware for which indemnification is required within 3 days of your actual or constructive knowledge of such event. At your expense and risk, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof. Any assumption by Franchisor shall not modify your indemnification obligation. Franchisor may, in its sole and absolute discretion and your expense, take such actions as it deems necessary and appropriate to investigate, defend, or settle any event, or take other remedial or corrective actions (including choosing and retaining its own legal counsel) with respect thereof as may be, in Franchisor's sole and absolute discretion, necessary for the protection of the Indemnities or the System. Under no circumstances will Franchisor or the Indemnities be required to seek recovery from third parties or to otherwise mitigate their losses to maintain a claim against you; in no event will a failure to pursue recovery from third parties or to mitigate loss reduce the amounts recoverable by Franchisor or the Indemnities from you. The indemnification obligations provided by this [Section 7.3](#) will survive the expiration or termination of this Agreement.

## ARTICLE 8 TRANSFER OF INTEREST

**8.1 Transfer by Franchisor.** Franchisor may transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all of Franchisor's obligations under this Agreement from the date of assignment. In addition, and without limiting the foregoing, you expressly affirm and agree that Franchisor and/or its Affiliates may sell their assets, the any or all components of the System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. You agree that Franchisor has the right to delegate the performance of any portion or all of its obligations under this Agreement to third party designees, whether these designees are Franchisor's agents or independent contractors with whom Franchisor has contracted to perform these obligations. If Franchisor does so, such third-party designees must perform the delegated functions in compliance with this Agreement.

**8.2. Transfer by Developer.** You understand and acknowledge that Franchisor has entered into this Agreement in reliance on your business skill, financial capacity, personal character, experience, and demonstrated or purported ability in food service operations. Accordingly, you may not sell or transfer or attempt to sell or transfer your interest in this Agreement or the Franchised Business without Franchisor's prior written consent, including by listing the Franchised Business for sale on any sales directory or platform. In addition, if you are a Business Entity, no Owner may transfer or assign his or her equity interest in the Business Entity without Franchisor's prior written consent. For purposes of this [Section 8.2](#) the term "transfer" means and includes an actual assignment, sale, or transfer of an interest, or a collateral assignment or pledge of the interest as security for performance of an obligation.

You must notify Franchisor in writing of any proposed transfer. Any purported transfer, by operation of law or otherwise, not having the written consent of Franchisor shall be null and void and shall constitute a material breach of this Agreement. Franchisor shall not unreasonably withhold its consent to any transfer if you meet all of the following as conditions of its consent:

8.2.1. You must request consent in writing and deliver to Franchisor a copy of the proposed transfer agreements, including sale terms, prior to the proposed transfer.

8.2.2. The transferee must demonstrate to Franchisor's satisfaction, in Franchisor's sole discretion, that the transferee meets Franchisor's then-current educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to operate the Franchised Business, and all Restaurants you have developed under this Agreement; and has sufficient equity capital to operate the Franchised Business; and that terms of the sale will not materially and adversely affect the post-transfer viability of the Franchised Business;

8.2.3. All of your accrued monetary obligations and all other outstanding obligations to Franchisor, its Affiliates, and any third party suppliers must be up to date, fully paid, and satisfied, and you and your Affiliates must be in full compliance with this Agreement and any other agreements with Franchisor, its Affiliates, and your third party suppliers, including, without limitation, any Franchise Agreement executed pursuant to this Agreement;

8.2.4. If the transfer is of your interest in this Agreement or a sale or transfer of a controlling interest in you (if you are a Business Entity), you agree to transfer, and transfer, all of the Franchise Agreements (and the Restaurants operated pursuant thereto) executed pursuant to this Agreement at the same time as your transfer of this Agreement or your controlling interest, and you comply with all requirements for transfer applicable to the Franchise Agreements (and Restaurants) pursuant to the terms thereof;

8.2.5. You and each of your Owners signs Franchisor's then-current form of transfer agreement and other documents Franchisor requires to process the transfer, which shall include a general and full release, in a form prescribed by Franchisor, of any and all claims, whether known or unknown, against Franchisor and its Affiliates, and each such company's officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any Franchise Agreement, the offer and sale of any FUZZY'S TACO SHOP® franchise opportunity, or any federal, state or local laws, rules, regulations or orders; provided that any such release may not be inconsistent with any state law regulating franchising;

8.2.6. You or the transferee must pay Franchisor a transfer fee as follows: (i) \$1,500 for any transfer of this Agreement or your Franchised Business from an individual to wholly-owned entity; (ii) \$2,500 for any transfer of a non-controlling interest in you; or \$10,000 per remaining Restaurant to be developed, for any other transfers of this Agreement or a controlling interest in you.

8.2.7. The transferee must execute Franchisor's then-current form of franchise development agreement, the terms of which may be materially different than the terms of this Agreement; the term of such franchise development agreement shall be limited to the remaining term of this Agreement at the time of transfer;

8.2.8. If the transferee is a Business Entity, then each of the transferee's Owners shall sign Franchisor's standard form of Guaranty and Personal Undertaking;

8.2.9. You agree to remain liable for all direct and indirect obligations to Franchisor in connection with this Agreement prior to the effective date of the transfer, shall continue to remain responsible for those obligations in this Agreement, and all other obligations that survive termination, expiration, or transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such obligation; and

8.2.10. If Franchisor introduced the buyer to you, you must pay all fees due Franchisor under its then-current franchise resale policy or program.

**8.3. Transfers Void.** Any purported transfer, by operation of law or otherwise, made without Franchisor's prior written consent will be considered null and void and will be considered a material breach of this Agreement.

**8.4. Right of First Refusal.** If you receive a bona fide offer to purchase your interest in this Agreement or the Franchised Business, or if any Owner receives a bona fide offer to purchase his or her equity interests in you, and you or such Owner wishes to accept such offer, you or the Owner must deliver to Franchisor written notification of the offer and, except as otherwise provided herein, Franchisor shall have the right and option, exercisable within 30 days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party. If the bona fide offer provides for the exchange of assets other than cash or cash equivalents, the bona fide offer shall include the fair market value of the assets and you shall submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer, and Franchisor may substitute cash for any other form of payment proposed in the offer. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. If Franchisor elects to purchase the seller's interest, closing on such purchase must occur by the later of: (a) the closing date specified in the third party offer; or (b) within 60 days from the date of notice to the seller of Franchisor's election to purchase. Franchisor's failure to exercise the option described in this Section 8.4 will not constitute a waiver of any of the transfer conditions set forth in this Section 8. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price. If Franchisor purchases your Franchised Business, it is entitled to all customary warranties and representations, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise. At the closing, you agree to deliver instruments transferring to Franchisor (or a designee of Franchisor) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor), with all sales and other transfer taxes paid by you.

**8.5. Transfer Upon Death or Incapacitation.** Upon the death or permanent incapacity (mental or physical) of any person with an interest in this Agreement, in you, or in the Franchised Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party, in accordance with all of the conditions to transfer specified in Section 8.2, within six months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as an *inter vivos* transfer under Section 8.2 of this Agreement, except that the transfer fee applicable to such transfer shall be waived. In the case of transfer by devise or inheritance, however, if the heirs or beneficiaries of any such person are unable to meet the conditions of this Section 8, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by Franchisor within six months, which disposition shall be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within such period, Franchisor may, at its option, terminate this Agreement, pursuant to Section 9.4 of this Agreement.

**8.6. Non-Waiver of Claims.** Franchisor's consent to a transfer will not constitute a waiver of any claims it may have against the transferring party, and will not be deemed a waiver of Franchisor's right to demand strict compliance by the transferee with the terms of this Agreement or any other agreement to which Franchisor and the transferee are parties.

## ARTICLE 9 DEFAULT AND TERMINATION

**9.1 Termination In the Event of Bankruptcy or Insolvency.** You shall be deemed to be in default under this Agreement, and all rights granted to you in this Agreement shall automatically terminate without notice, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against you and you do not oppose it; if you are adjudicated bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian (permanent or temporary) for you or your business assets, or any part thereof, is filed against you; if any court of competent jurisdiction appoints a receiver or other custodian (permanent or temporary) for you or your business assets, or any part thereof; if proceedings for a composition with creditors under any state or federal law is instituted by or against you; if a final judgment is entered against you and remains unsatisfied or of record for 30 days or longer, unless a *supersedeas* bond is filed; if you are dissolved, voluntarily or involuntarily; if execution is levied against you or your business assets, or any part thereof; if any proceedings to foreclose any lien or mortgage against you or your business assets, or any part thereof, is instituted and not dismissed within 30 days; or if the assets of the Franchised Business under this Agreement is sold after levy thereupon by any sheriff, marshal, constable, or other authorized law enforcement personnel.

**9.2. Termination with Notice and Without Opportunity to Cure.** Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of notice, without opportunity to cure, of any of the following defaults: (a) you fail to meet the Development Schedule; (b) you or any Owner is convicted of, or pleads no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System; (c) there is any transfer or attempted transfer in violation of Section 8 of this Agreement; (d) you or any Owner fails to comply with the confidentiality or non-compete covenants in Section 6 or Section 10 of this Agreement; (e) you or any Owner has made any material misrepresentations in connection with your Franchise Development Agreement application or proposal, or during your operation of your Franchised Business; (f) Franchisor delivers to you three or more written notices of default pursuant to this Section 9 within any rolling 12-month period, whether or not the defaults described in such notices are ultimately cured; or (g) any default not cured within its applicable cure period, or termination for cause, under any Franchise Agreement between Franchisor and you or your Affiliate, or any other franchise agreement, note, lease, or agreement between you and your Affiliates, and Franchisor and its Affiliates.

**9.3. Termination with 10-Day Cure Period.** Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure any of the following defaults within 10 days after delivery of written notice: (a) failure to obtain or maintain required insurance coverage; (b) failure to pay any amounts due to Franchisor; (c) failure to pay any amounts due to your trade creditors (unless such amount is subject to a bona fide dispute); or (d) failure to pay any amounts for which Franchisor has advanced funds for or on your behalf, or upon which Franchisor is acting as guarantor of your obligations.

**9.4. Termination with 30-Day Cure Period.** Except as otherwise provided in this Section 9, Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure any other default of this Agreement within 30 days after delivery of written notice, or such other longer period of time as may be required by applicable law.

**9.5. Additional Remedies.** If you are in default of this Agreement, Franchisor may, in its sole discretion, elect to exercise any one or more of the following remedies in lieu of terminating this Agreement: (a) terminate or modify any territorial protections granted to you in each Development Agreement and/or Franchise Agreement identified by Franchisor; (b) reduce the size of the Development Area; or (c) reduce the number of Restaurants which you may develop and open in each Development Period. If Franchisor elects to exercise one or more of the additional remedies set forth above, you agree to continue to develop Restaurants in accordance with your rights and obligations under this Agreement, as modified. Franchisor's

exercise of any of its remedies under this Section 9.5 shall not constitute a waiver by Franchisor to exercise Franchisor's option to terminate this Agreement at any time with respect to a subsequent event of default of a similar or different nature.

## **ARTICLE 10 COVENANTS**

**10.1. Non-Competition During Term of Agreement.** You and each Owner acknowledge that you and each Owner will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques and trade secrets of Franchisor and the System. You and each Owner covenant and agree that during the term of this Agreement, except as otherwise approved in writing by Franchisor, you and, if applicable, such Owner(s), will not, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, or legal entity (and will cause their spouses, immediate family members, and Affiliates and assigns not to):

(a) Divert or attempt to divert any present or prospective customer of any Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is harmful, injurious, or prejudicial to the goodwill associated with the Proprietary Marks and the System;

(b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, lease or license any properties or assets to, or have any interest in (as owner or otherwise) or relationship or association with, any Competitive Business, at any location within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of, or registered the Proprietary Marks or similar marks, or have operated or licensed others to operate a business under the System or the Proprietary Marks or similar marks; provided that such restriction shall not apply to less than a 5% beneficial interest in any publicly traded corporation.

**10.2 Non-Competition After Expiration or Termination of Agreement.**

10.2.1. Commencing upon the later of (a) a transfer permitted under Section 8 of this Agreement, expiration of this Agreement, or termination of this Agreement (regardless of the cause for termination), (b) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 10.2, and continuing for an uninterrupted period of 3 years thereafter, you and each Owner shall not either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, persons, or legal entity (and will cause their spouses, immediate family members, and Affiliates and assigns not to):

(a) Divert or attempt to divert any present or prospective customer of any Restaurant to any Competitive Business (as defined on Attachment A), by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is harmful, injurious, or prejudicial to the goodwill associated with the System;

(b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, lease or license any properties or assets to, or have any interest in (as owner or otherwise) or relationship or association with, any Competitive Business, at any location that (i) is, or is intended to be, located at the location of any former Restaurant; (ii) is within the Development Area; or (iii) is within a 5-mile radius of any other Restaurant operating under the System in existence or under development at the time of such termination or transfer.

10.2.2. If any Owner ceases to be an Owner for any reason during the term of this Agreement, this Section 10.2 shall apply to the departing Owner for a 3-year period beginning on the date such person ceases to meet the definition of an Owner.

10.2.3. The obligations described in this Section 10.2 shall be tolled during any period of noncompliance.

**10.3. Non-Disparagement.** During and after the term of this Agreement, you and your Owners agree not to (and to use your best efforts to cause your current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, Affiliates, successors and assigns not to) (i) disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor, Franchisor's Affiliates, any of Franchisor's or Franchisor's Affiliates' directors, officers, employees, representatives or Affiliates, the FUZZY'S TACO SHOP® brand, the System, any Restaurant, any franchise development business for Restaurants, any business using the Proprietary Marks, or (ii) take any other action which would, directly or indirectly, subject the FUZZY'S TACO SHOP® brand to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of Franchisor in any or all of the System or the FUZZY'S TACO SHOP® brand, or which would constitute an act of moral turpitude. The provisions of this Section 10.3 will survive expiration or termination of this Agreement.

**10.4. Additional Provisions.** The parties acknowledge and agree that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 10.1 or Section 10.2, or any portion thereof, without your consent or the consent of any Owner, effective immediately upon delivery of written notice to the affected party; and you and each Owner agree that such person shall comply forthwith with any covenant as so modified, which shall be fully enforceable. You and each Owner expressly agree that the existence of any claims you may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 10. You agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 10.

**10.5. Breach of Covenants Causes Irreparable Injury.** You acknowledge that your violation of any covenant of this Section 10 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and you consent to the issuance of, and agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an *ex parte* or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

**10.6. Exception for Publicly Held Companies.** The foregoing restrictions shall not apply to your ownership or any Owner's ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

## ARTICLE 11 REPRESENTATIONS & ORGANIZATION OF DEVELOPER

**11.1. Representations of Franchisor.** Franchisor represents and warrants that: (a) Franchisor is duly organized and validly existing under the law of the state of its formation; (b) Franchisor is duly qualified and authorized to do business in each jurisdiction in which its business activities or the nature of the properties it owns requires such qualification; and (c) the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within Franchisor's corporate power and have been duly authorized.

**11.2. Representations of Developer.**

11.2.1. If you are a Business Entity, you represent and warrant that the information set forth in Attachment C to this Agreement, is accurate and complete in all material respects; you will notify Franchisor in writing within 10 days of any change in the information set forth in Attachment C. You further warrant and represent to Franchisor that: (a) you are duly organized and validly existing under the law of the state of your formation; (b) you are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification; (c) your corporate charter, written partnership agreement, limited liability company agreement, or other similar business governing document, as applicable, will at all times provide that your activities are confined exclusively to the development and operation of the Franchised Business; (d) neither you nor any of your Affiliates or Owners own, operate, or have any financial or beneficial interest in any business that is the same as or similar to, or competitive with, a Restaurant; and (e) the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within your corporate power, or if you are a partnership, limited liability company, or other business entity, are permitted under your written partnership agreement, limited liability company agreement, or other similar business governing document, and have been duly authorized. If you are an individual, or a partnership comprised solely of individuals, you make the following additional representations and warranties: (1) each individual has executed this Agreement; (2) each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and (3) notwithstanding any transfer for convenience of ownership pursuant to Section 8.2 of this Agreement, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement

11.2.2. You represent that neither your property nor any interest in your property, nor the property of any of your Owners, officers, directors, managers, partners, agents, or employees, or their respective interests therein, have been blocked pursuant to Executive Order 13224 of September 23, 2001, pertaining to persons who commit, threaten to commit, or support terrorism (“Blocked Persons”). You represent and warrant to Franchisor that you will not accept money from or employ any Blocked Person.

11.2.3 You represent that neither you nor any of your employees, agents, representations, or any other person or entity associated with you has ever been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism, (ii) owned or controlled by terrorists or sponsors of terrorism, (iii) not been in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, (iv) provided Franchisor any funds that were not legally obtained in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, (v) listed on the U.S. Treasury Department’s List of Specially Designated Nationals, the U.S. Commerce Department’s Denied Persons List, Unverified List, Entity List, or General Orders, the U.S. State Department’s Debarred List or Nonproliferation Sanctions, or the Annex to U.S. Executive Order 13224.

**11.3. Governing Documents.** If you are a corporation, copies of your Articles of Incorporation, bylaws, other governing documents, and any amendments, including the resolution of the Board of Directors authorizing entry into and performance of this Agreement, and all shareholder agreements, including buy/sell agreements, must be furnished to Franchisor. If you are a limited liability company, copies of your Articles of Organization, operating agreement, other governing documents and any amendments, including the resolution of the Managers authorizing entry into and performance of this Agreement, and all agreements, including buy/sell agreements, among the members must be furnished to Franchisor. If you are a general or limited partnership, copies of your written partnership agreement, other governing documents and any amendments, as well as all agreements, including buy/sell agreements, among the partners must be furnished to Franchisor, in addition to evidence of consent or approval of the entry into and performance of this Agreement by the requisite number or percentage of partners, if that approval or consent is required

by your written partnership agreement or applicable law. When any of these governing documents are modified or changed, you must promptly provide copies of the modifying documents to Franchisor.

**11.4. Ownership Interests.** If you are a Business Entity, you represent that all of your equity interests are owned as set forth on Attachment C to this Agreement. In addition, if you are a corporation, you shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of the corporation (and the number of shares owned by each). If you are a limited liability company, you shall maintain a current list of all members (and the percentage membership interest of each member). If you are a partnership, you shall maintain a current list of all owners of an interest in the partnership (and the percentage ownership interest of each general and limited partner). You shall comply with Section 8 of this Agreement prior to any change in ownership interests and shall execute any necessary addenda to Attachment C as changes occur in order to ensure the information contained in Attachment C is true, accurate, and complete at all times.

**11.5. Restrictive Legend.** If you are a corporation, you shall maintain stop-transfer instructions against the transfer on your records of any voting securities, and each stock certificate of the corporation shall have conspicuously endorsed upon its face the following statement: “Any assignment or transfer of this stock is subject to the restrictions imposed on assignment by the FUZZY’S TACO SHOP® Franchise Development Agreement(s) to which the corporation is a party.” If you are a limited liability company, each membership or management certificate or other evidence of interest in the limited liability company shall have conspicuously endorsed upon its face the following statement: “Any assignment or transfer of an interest in this limited liability company is subject to the restrictions imposed on assignment by THE FUZZY’S TACO SHOP® Franchise Development Agreement(s) to which the limited liability company is a party.” If you are a partnership, your written partnership agreement shall provide that ownership of an interest in the partnership is held subject to, and that further assignment or transfer is subject to, all restrictions imposed on assignment by this Agreement.

**11.6. Guarantees.** If you are a Business Entity, each Owner (and if you are a limited partnership, each of your general partner’s Owners) shall execute the Personal Undertaking and Guaranty attached hereto as Attachment D.

**11.7. Principal Owner Designated Manager.** If you are a Business Entity, you must identify ~~one of your owners~~ a “Designated Manager” on Attachment C who is a natural person principally responsible for communication and coordinating with ~~at least a twenty five percent (25%) ownership interest and voting power in you to act as your “Principal Owner”~~. Franchisor ~~reserves the right to approve the person who will act as your Principal Owner. In the event that your Principal Owner ceases to own at least a twenty five percent (25%) ownership interest~~ regarding business, operational and ~~voting power in you~~, Franchisor ~~disapproves of your Principal Owner, or your Principal Owner dies or becomes incapacitated, you must recruit a new Principal Owner within thirty (30) days. You must deliver to Franchisor all information that Franchisor may request in connection with reviewing and approving the person you recruit as your new Principal Owner.~~ other ongoing matters concerning this Agreement. You agree that the ~~Principal Owner~~ Designated Manager is authorized to deal with Franchisor (and its Affiliates) on your behalf for all matters that may arise with respect to this Agreement. Any decision made by the ~~Principal Owner~~ Designated Manager will be final and binding on you, and Franchisor (and its Affiliates) will be entitled to rely solely on the decision of the ~~Principal Owner~~ Designated Manager without discussing the matter with any other party. Franchisor (and its Affiliates) will not be held liable for any actions based on any decision or actions of the ~~Principal Owner~~ Designated Manager. Any change in the Designated Manager requires prior written consent of Franchisor.

## ARTICLE 12 NOTICES

**12.1. Notices.** All notices or demands arising out of or required to be made under this Agreement will be deemed delivered (i) at the time personally delivered, (ii) one (1) day after being sent by nationally recognized commercial courier service for next business day delivery, (iii) three (3) days after being sent by certified or registered mail, or (iv) on the date sent via electronic transmission. Any notice sent by courier or mail must be sent to the respective parties at the addresses reflected in the Summary Page, unless and until a different address has been designated by written notice to the other party; provided, however, that delivery to the address of any of your Restaurants will always be deemed sufficient.

## **ARTICLE 13 CONSTRUCTION**

**13.1. Entire Agreement.** This Agreement, including the Summary Pages and Attachments hereto, which are all incorporated herein by reference, and any other agreements executed by the parties concurrently with the parties' execution of this Agreement represent the entire fully integrated agreement between the parties with regard to the subject matter of this Agreement and supersede all other negotiations, agreements, representations, and covenants, oral or written. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that Franchisor made in the Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to you in connection with this franchise offering. Except for those changes permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to in writing by the parties and executed by their authorized officers or agents

**13.2. Waiver, Amendment, and Modification.** No waiver, amendment, or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless the same is made in writing and duly executed by the party to be charged therewith. No evidence of any waiver, amendment, or modification shall be offered or received in evidence in any proceeding, arbitration, or litigation between the parties arising out of or affecting this Agreement, or the rights or obligations of any party hereunder, unless such waiver, amendment, or modification is in writing and duly executed by the party to be charged therewith. A valid waiver of any default of a particular provision of the Agreement shall be effective only for that event of default, and will not affect or impair the waiving party's rights with respect to any subsequent default of the same or a different provision.

**13.3. Severability.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement is held invalid or unenforceable, then a suitable and equitable provision shall be substituted for that provision so as to carry out so far as possible the intent and purpose of that provision

**13.4. Survival of Terms.** Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination, including, without limitation, provisions applicable to confidentiality, nondisparagement obligations, restrictive covenants, indemnification, and the dispute resolution.

**13.5. Definitions and Captions.** Unless otherwise defined in this body of this Agreement, capitalized terms shall have the meaning ascribed to them in Attachment A to this Agreement. All captions in this Agreement are intended for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

**13.6. Persons Bound.** This Agreement shall be binding on the parties and, to the extent permitted in this Agreement, their respective successors and assigns.

**13.7. Rules of Construction.** Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction

or otherwise. Terms used in this Agreement shall be construed and interpreted according to their ordinary meaning. If any provision of this Agreement is susceptible to two or more meanings, one of which would render the provision enforceable and the other(s) which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

**13.8. Timing.** Time is of the essence with respect to all provisions in this Agreement.

**13.9. Franchisor's Judgment.** Whenever this Agreement or any related agreement grants, confers, or reserves to Franchisor the right to take action, refrain from taking action, grant or withhold consent, or grant or withhold approval, Franchisor will, unless the provision specifically states otherwise, have the right to engage in such activity in its sole and unfettered discretion. You acknowledge and recognize, and any court or judge is affirmatively advised, that neither a court, judge, nor any other person reviewing those activities or decisions will substitute his, her, or its judgment for Franchisor's judgment. When the terms of this Agreement specifically require that Franchisor not unreasonably withhold approval or consent, any withholding of Franchisor's approval or consent will be considered reasonable if you are in default or breach under this Agreement.

## **ARTICLE 14 APPLICABLE LAW; DISPUTE RESOLUTION**

### **14.1. Arbitration.**

Franchisor and you agree that all controversies, disputes, or claims between Franchisor or any of its Affiliates, and Franchisor's and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your Owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to: (1) this Agreement or any other agreement between you (or any of your Owners) and Franchisor (or any of its Affiliates); (2) Franchisor's relationship with you; (3) the scope or validity of this Agreement or any other agreement between you (or any of your Owners) and Franchisor (or any of Franchisor's Affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which Franchisor and you acknowledge is to be determined by an arbitrator, not a court); or (4) the System, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the then current Commercial Arbitration Rules of the AAA. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within 50 miles of Franchisor's or its successors' or assigns' then-current principal place of business (currently, Irving, Texas). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

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

Franchisor and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. Franchisor and you further agree that, in any arbitration

proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or Franchisor.

You and Franchisor agree that arbitration will be conducted on an individual basis and that an arbitration proceeding between Franchisor and any of Franchisor's Affiliates, or Franchisor's and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (or your Owners, guarantors, affiliates, and employees), on the other hand, may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) joined with any separate claim of an unaffiliated third-party, or (iv) brought on your behalf by any association or agent. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

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

The provisions of this Section are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

**14.2 Governing Law.** This Agreement is made in and takes effect upon its acceptance and execution by Franchisor at its headquarters in Irving, Texas. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), the U.S. Copyright Act (17 U.S.C. Section 101 et seq.) and/or other federal law, this Agreement shall be and all claims arising out of or related to the relationship created hereby shall be governed by and interpreted and construed under the substantive laws of the State of Texas, without regard to its conflicts of laws principles, EXCEPT THAT ANY STATE LAW REGULATING THE OFFER OR SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

**14.3 Venue.** Subject to Section 14.1, and except as expressly provided by applicable state law, the parties agree that any action brought by either party against the other shall be instituted and maintained in the county or district in which Franchisor maintains its principal office at the time the action is initiated. The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Notwithstanding the foregoing, you acknowledge and agree that Franchisor may bring and maintain an action against you in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders, and preliminary and permanent injunctions.

**14.4 Nonexclusivity of Remedy.** Unless otherwise specified in this Agreement, no right or remedy conferred upon or reserved by Franchisor or you by this Agreement is intended and it shall not be deemed to be exclusive of any other right or remedy provided or permitted herein, by law or at equity, but each right or remedy shall be cumulative of every other right or remedy. You may not under any circumstances make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Agreement, and you hereby waive any such claim for damages, whether by way of affirmative claim, setoff, counterclaim, or defense. Your sole remedy for any such claim will be an action or proceeding for specific performance of the applicable provision(s) of this Agreement.

**14.5 WAIVER OF JURY TRIAL & CLASS ACTION BAR.** EACH PARTY HEREBY IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING, BROUGHT BY EITHER OF THE PARTIES. FRANCHISOR AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN FRANCHISOR AND ANY OF ITS AFFILIATES, OR FRANCHISOR'S AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

**14.6. WAIVER OF PUNITIVE DAMAGES.** EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY FRANCHISOR FOR THIRD PARTY CLAIMS UNDER SECTION 7.3, THE PARTIES WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

**14.7. Right to Injunctive Relief.** Nothing in this Agreement contained shall bar Franchisor's right to seek injunctive relief from any court of competent jurisdiction; and you agree to pay all costs and reasonable attorneys' fees incurred by Franchisor in obtaining such relief.

**14.8. Attorneys' Fees.** If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party all damages, costs and expenses, including arbitration and court costs and reasonable attorneys' fees. For the purposes of this Section 14.8, the term "prevailing party" means a party that is awarded actual relief in the form of damages, declaratory relief, or injunctive relief, as well as a party that successfully defends a legal action commenced against it.

**14.9. Limitations of Claims.** EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE FRANCHISOR, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.

**14.10. Execution.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement and all other documents related to this Agreement may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically, as if an original had been received.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Franchise Development Agreement to be effective on the day and year first written above.

**FUZZY'S TACO OPPORTUNITIES, LLC**  
a Texas limited liability company.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

\_\_\_\_\_ a \_\_\_\_\_.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)  
\_\_\_\_\_ (date)

**FUZZY'S TACO SHOP®**  
**FRANCHISE DEVELOPMENT AGREEMENT**

**ATTACHMENT A**

**GLOSSARY OF ADDITIONAL TERMS**

“**Affiliate**” means an Affiliate of any named person or entity identified as a person or entity that is controlled by, controlling, or under common control with such named person or entity.

“**Business Entity**” means any person with the power to enter into contracts, other than a natural person. The term includes a corporation, limited liability company, limited partnership, and trust.

“**Closed Market**” means any facility serving a captive market, including but not limited to, department stores, food retailers, supermarkets, shopping malls, enclosed shopping centers, amusement parks, airports, train stations and other modes of mass transportation, travel plazas, casinos, nightclubs, cinemas, theaters, restaurants, public facilities, college and school campuses, arenas, stadiums, ballparks, hospitals, healthcare facilities, hotels, guest lodging facilities, day care facilities of any kind, resorts, condominium and cooperative facilities, office buildings, convention centers, airlines (in-flight service), military bases and installations, government facilities, and any other public attraction or venue or mass gathering events or locations, and facilities of any kind for which food and/or beverage service rights are contracted to a third party or parties, whether inside or outside of the Development Area.

“**Competitive Business**” means any business or enterprise operating or granting franchises or licenses to others to operate any restaurant, retail, wholesale, or other business that offers or sells Mexican, Tex-Mex, or other Mexican-style menu offerings, prepackaged spices, sauces, or seasoning rubs, or other products or services substantially similar in concept, as determined by Franchisor, exercising reasonable good faith judgment, ~~as those products and services offered by Restaurants.~~

“**Confidential Information**” means all information, knowledge, elements, trade secrets, and know-how utilized or embraced by the System, or which otherwise concerns Franchisor’s systems of operation, programs, services, products, customers, practices, recipes, materials, books, records, financial information, manuals, computer files, databases, or software; including, but not limited to: the Standards and all elements of the System and all products, services, equipment, technologies, recipes, policies, standards, requirements, criteria, and procedures which now or in the future are a part of the System; all information contained in the Manual, including supplements to the Manual; Franchisor’s proprietary recipes and standards and specifications for product preparation, packaging, and service; all specifications, sources of supply, all procedures, systems, techniques and activities employed by Franchisor or by you in the offer and sale of products and/or services at or from Restaurants; all pricing paradigms established by Franchisor or by you; all of Franchisor’s and/or your sources, or prospective sources, of supply and all information pertaining to same, including wholesale pricing structures, the contents of sourcing agreements, and the identity of vendors and suppliers; Franchisor’s specifications, and your final plans, for the construction, buildout, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of your Restaurants; the identify of, and all information relating to, the computer and POS hardware and software utilized by Franchisor and you; all information and data pertaining to Franchisor’s and/or your advertising, marketing, promotion, and merchandising campaigns, activities, materials, specifications and procedures; all customer lists and records generated and/or otherwise maintained by your Franchised Business or any Restaurants you operate; all internet/web protocols, procedures, and content related to the System, your Franchised Business or any Restaurants you operate; Franchisor’s training and other instructional programs and materials; all elements of Franchisor’s recommended staffing, staff training, and staff certification policies and procedures; all communications between you and Franchisor, including the financial and other reports you are required to submit to Franchisor under the Franchise Agreement; additions to, deletions

from, and modifications and variations of the components of the System and the other systems and methods of operations which Franchisor employs now or in the future; all other knowledge, trade secrets, or know-how concerning the methods of operation of your Franchised Business and Restaurants which may be communicated to you, or of which you may be apprised, by virtue of operation under the terms of the Franchise Agreement; and all other information, knowledge, and know-how which either Franchisor or its Affiliates, now or in the future, designate as “Confidential Information.”

“**Copyrighted Works**” means works of authorship which are owned by Franchisor and fixed in a tangible medium of expression including, without limitation, the content of the Manual; the design elements of the Proprietary Marks; Franchisor’s product packaging, advertising, and promotional materials; and the content and design of Franchisor’s Web site and advertising and promotional materials.

“**Franchise Agreement**” means the form of agreement prescribed by Franchisor and used to grant to you the right to own and operate a single franchise Restaurant in the Development Area, including all attachments, exhibits, riders, guarantees or other related instruments, all as may be amended from time to time.

“**Franchised Business**” means any and all business enterprises owned, operated, or controlled (in part or in whole) by Developer or its Affiliates for the direct or indirect purpose of carrying out Developer’s obligations under this Agreement.

“**Manual**” means the series of documents, publications, bulletins, materials, drawings, memoranda, CDs, DVDs, MP3s, and other media Franchisor may loan you from time to time, which sets forth the System’s operating systems, procedures, policies, methods, standards, specifications, and requirements for operating your Restaurant, and which contains information and knowledge necessary and material to the System, and designated by Franchisor as the mandatory guide for the development and operation of Restaurants, including, without limitation, the FUZZY’S TACO SHOP® confidential and proprietary Operations Manual and Recipe Book, as Franchisor may, in its sole discretion, revise, amend, modify, or update from time to time upon notice of such revisions, amendment, modification, or update to you or your Affiliates.

“**Owner**” means each individual or entity holding any direct or indirect beneficial ownership in you and/or the franchisee individual(s) or entity(ies) that enter into any Franchise Agreements pursuant to this Agreement. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust.

**FUZZY'S TACO SHOP®  
FRANCHISE DEVELOPMENT AGREEMENT**

**ATTACHMENT B-1  
DEVELOPMENT AREA ~~AND SCHEDULE~~**

The "~~Development Area~~" is defined as the territory within the boundaries described below. The description may consist of both a map and a written description, and in the event of any conflict between the two, the written description shall prevail.

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If the Development Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Development Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

The "~~Development Schedule~~" is as follows:

**FUZZY'S TACO SHOP®**  
**FRANCHISE DEVELOPMENT AGREEMENT**

**ATTACHMENT B-2**  
**DEVELOPMENT SCHEDULE**

Development Period	<b><u>DEVELOPMENT PERIOD</u></b> <b><u>ENDING</u></b>	<b><u>RESTAURANT</u></b> <b><u>OPENING</u></b> <b><u>DATES</u></b> <b><u>CUMULATIVE NO. OF</u></b> <b><u>FRANCHISE</u></b> <b><u>AGREEMENTS TO BE</u></b> <b><u>EXECUTED</u></b> <b><u>AND</u></b> <b><u>DELIVERED</u></b> <b><u>TO</u></b> <b><u>FRANCHISOR</u></b>	<b><u>NUMBER OF</u></b> <b><u>RESTAURANTS TO BE</u></b> <b><u>OPENED DURING</u></b> <b><u>DEVELOPMENT</u></b> <b><u>PERIOD</u></b> <b><u>CUMULATIVE</u></b> <b><u>NO. OF</u></b> <b><u>RESTAURANTS</u></b> <b><u>TO BE IN</u></b> <b><u>OPERATION</u></b>	<b><u>CUMULATIVE</u></b> <b><u>NUMBER OF</u></b> <b><u>RESTAURANTS TO</u></b> <b><u>BE IN OPERATION</u></b> <b><u>AT END OF</u></b> <b><u>DEVELOPMENT</u></b> <b><u>PERIOD</u></b>
1		<del>1</del>		
2		<del>2</del> <del>1</del>		
3		<del>2</del> <del>1</del>		
4		<del>2</del>		
	<b><u>Total Development Obligations</u></b>	<del>2</del>		
<hr/>				
	<u>( ) restaurants must be developed and opened in the State of _____.</u>			
	<u>( ) restaurants must be developed and opened in the State of _____.</u>			

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Attachment B-2 on the date set forth below to be effective on the day and year first written above.

**FUZZY'S TACO OPPORTUNITIES, LLC**  
a Texas limited liability company.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

\_\_\_\_\_ a \_\_\_\_\_.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

**FUZZY'S TACO SHOP®  
FRANCHISE DEVELOPMENT AGREEMENT**

**ATTACHMENT C  
ENTITY INFORMATION**

~~If the developer is an entity, you represent and warrant that the following information is accurate and complete in all material respects as of \_\_\_\_\_.~~

- ~~(1) Developer is a \_\_\_\_\_, formed under the laws of the state of \_\_\_\_\_.~~
- ~~(2) You shall provide to Franchisor concurrently with the execution hereof true and accurate copies of the Developer's charter documents and governing documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing.~~
- ~~(3) You promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in the franchisee entity.~~
- ~~(4) The name and address of each of Owner:~~

<del>NAME</del>	<del>ADDRESS</del>	<del>NUMBER OF SHARES OR PERCENTAGE INTEREST</del>

~~(5) The address where the Developer's Financial Records and other records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:~~

\_\_\_\_\_

~~(6) The Developer's Principal Owner is: \_\_\_\_\_ (name)  
\_\_\_\_\_ (address).~~

**DEVELOPER NAME**

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

Date: \_\_\_\_\_

**FUZZY'S TACO SHOP®**  
**FRANCHISE DEVELOPMENT AGREEMENT**

**ATTACHMENT D**

**GUARANTY AND PERSONAL UNDERTAKING**

By virtue of executing a FUZZY'S TACO SHOP® Development Agreement dated \_\_\_\_\_ (as amended, modified, restated, or supplemented from time to time, the "Development Agreement"), \_\_\_\_\_ ("Developer"), has acquired the right and obligation from Fuzzy's Taco Opportunities, LLC ("Franchisor") to develop and establish one or more FUZZY'S TACO SHOP® franchise restaurants and the right to enter into one or more franchise agreements for operation and management of FUZZY'S TACO SHOP® franchise restaurants.

Pursuant to the terms and conditions of the Franchise Development Agreement, the undersigned hereby acknowledges and agrees as follows:

1. I have read the terms and conditions of the Franchise Development Agreement and acknowledge that the execution of this Guaranty and Personal Undertaking ("Guaranty") is in partial consideration for, and a condition to, the granting of the rights under the Franchise Development Agreement. I understand and acknowledge that Franchisor would not have granted such rights without the execution of this Guaranty and Personal Undertaking and the other undertakings of the Owners in this Guaranty.
2. I own a beneficial interest in the Developer, and I am included within the term "Owner" as defined in the Franchise Development Agreement.
3. I, individually and jointly and severally with the other Owners, hereby make all of the covenants, representations, warranties, and agreements of the Owners set forth in the Franchise Development Agreement, and agree that I am obligated to perform thereunder, including, without limitation, the provisions specifically referred to in this Guaranty.
4. I, individually and jointly and severally with the other Owners, unconditionally and irrevocably guarantee to Franchisor and its successors and assigns that all obligations of the Developer under the Franchise Development Agreement will be punctually paid and performed. Upon default by the Developer or upon notice from Franchisor, I will immediately make each payment and perform each obligation required of the Developer under the Franchise Development Agreement. Without affecting the obligations of any Owner under this or any other Undertaking and Guaranty, Franchisor may, without notice to any Owner, waive, renew, extend, modify, amend, or release any indebtedness or obligation of the Developer or settle, adjust, or compromise any claims that Franchisor may have against the Developer. I waive all demands and notices of every kind with respect to the enforcement of this Undertaking and Guaranty, including notices of presentment, demand for payment or performance by the Developer, any default by the Developer or any guarantor, and any release of any guarantor or other security for this Undertaking and Guaranty or the obligations of the Developer. Franchisor may pursue its rights against me without first exhausting its remedies against the Developer and without joining any other guarantor and no delay on the part of Franchisor in the exercise of any right or remedy will operate as a waiver of the right or remedy, and no single or partial exercise by Franchisor of any right or remedy will preclude the further exercise of that or any other right or remedy. Upon Franchisor's receipt of notice of the death of any Owner, the estate of the deceased will be bound by the foregoing Undertaking and Guaranty, but only for defaults and obligations under the Franchise Development Agreement existing at the time of death, and in that event, the obligations of the Owners who survive such death will continue in full force and effect.
5. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Developer has pledged other security or if

one or more other persons have personally guaranteed performance of the Developer's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

6. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one Business Day after delivery by Express Mail or other recognized, reputable overnight courier; or three Business Days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

7. I understand that Franchisor's rights under this Undertaking and Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

8. I agree that the provisions contained in Section 14 of the Franchise Development Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

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

10. The undersigned represents and warrants that, if no signature appears below for such person's spouse, such person is ~~either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.~~ The undersigned spouse of ~~the~~each Owner, by executing this Guaranty, acknowledges and consents to the guaranty ~~given herein~~and agrees to be bound by ~~his/her spouse~~the terms hereof. Such consent also serves to bind the assets of the marital estate to the undersigned's performance of this Guaranty.

11. If the undersigned party is a business entity, retirement or investment account, or trust, it hereby acknowledges and agrees that if Developer (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such guarantor (or on such guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, has executed this Guaranty and Personal Undertaking on the date set forth below to be effective on the day and year first written above.

GUARANTOR(S)
Signed: _____
Name: _____
Address: _____
_____
_____
Signed: _____
Name: _____
Address: _____
_____
_____

**EXHIBIT C-2  
TO FUZZY'S TACO SHOP®  
FRANCHISE DISCLOSURE DOCUMENT  
FRANCHISE AGREEMENT**

**FUZZY'S TACO SHOP®  
FRANCHISE AGREEMENT**

**FUZZY'S TACO SHOP®  
FRANCHISE AGREEMENT**

**SUMMARY PAGES**

1. **EFFECTIVE DATE:** \_\_\_\_\_
2. **EXPIRATION DATE:** \_\_\_\_\_
3. **FRANCHISEE(S):** \_\_\_\_\_
4. **TRANSACTION TYPE:**  Franchise Development Agreement, dated \_\_\_\_\_  
 Single-unit development  
 Renewal or extension of an existing franchise  
 Assignment of an existing franchise  
 Other: \_\_\_\_\_
5. **ADDRESS FOR NOTICES:** \_\_\_\_\_  
\_\_\_\_\_
6. **TELEPHONE NUMBER:** \_\_\_\_\_
7. **E-MAIL ADDRESS:** \_\_\_\_\_
8. **FRANCHISOR:** FUZZY'S TACO OPPORTUNITIES, LLC
9. **ADDRESS FOR NOTICE:** ~~4200 Regent Blvd., Suite C 210~~ 10 W. Walnut St.  
Irving, Texas 75063  
Attn: \_\_\_\_\_  
Pasadena, CA 91103  
Attn: General Counsel
10. **SITE SELECTION AREA:** \_\_\_\_\_  
\_\_\_\_\_
11. **APPROVED LOCATION:** \_\_\_\_\_  
\_\_\_\_\_
12. **OPENING DATE:** \_\_\_\_\_
- 15. ACTUAL OPENING DATE:** \_\_\_\_\_
13. **INITIAL FRANCHISE FEE:** \_\_\_\_\_
14. **GRAND OPENING  
ADVERTISING AMOUNT:** \_\_\_\_\_
- ~~15. **REMODEL DUE DATE:** \_\_\_\_\_~~

\_\_\_\_\_  
Franchisor Initial

\_\_\_\_\_  
Franchisee Initial

16. TRADITIONAL RESTAURANT  or ~~TAQUERIA~~ NON-TRADITIONAL RESTAURANT

*(check one – if no option is selected, the Restaurant will be a Traditional Restaurant).*

\_\_\_\_\_  
Franchisor Initial

\_\_\_\_\_  
Franchisee Initial

**FUZZY'S TACO SHOP®  
FRANCHISE AGREEMENT**

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**ATTACHMENTS**

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<u>Attachment B</u>	Approved Location and Protected Area
<u>Attachment C</u>	Franchisee's Owners and Key Personnel
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**FUZZY’S TACO SHOP®**  
**FRANCHISE AGREEMENT**

This FRANCHISE AGREEMENT (“Agreement”) is made and entered into on the Effective Date reflected in the Summary Pages (“Effective Date”), by and between Fuzzy’s Taco Opportunities, LLC, a Texas limited liability company, with its principal office in Irving, Texas (“Franchisor”) and the Franchisee identified on the Summary Page (“you” or “Franchisee”).

**BACKGROUND**

A. Franchisor and its Affiliates (as defined on Attachment A) have, through the expenditure of time, skill, effort, and money, developed a unique and distinctive business system relating to the construction, development, establishment, and operation of fast-casual dining restaurants using the System (as defined below) which offer a **Baja-style** Mexican food menu for dine-in consumption and take-out service and related products and services Franchisor authorizes from time to time (each a “Restaurant”);

B. Restaurants operate under the trade names, service marks, trademarks, logos, emblems, logotypes, and other indicia of origin, including such other trade names, service marks, trademarks, logos, emblems, and indicia of origin as Franchisor may hereafter create, use or license (“Proprietary Marks”);

C. Restaurants will operate using a distinctive business model, including, but not limited to, the mandatory standards, specifications, recipes, policies, procedures, techniques and operating procedures that Franchisor has developed for the location, establishment, operation, and promotion of Restaurants, all of which may be changed, improved, and further developed by Franchisor from time to time (“Standards”);

D. Franchisor and its Affiliates continue to develop, establish, use, and control the use of the Proprietary Marks, Copyrighted Works (as defined on Attachment A) and the Standards (collectively, the “System”), to identify for the public the source of services and products marketed under this Agreement and by Restaurants, and to represent the System’s high standards of quality, appearance, and service.

E. You have applied for the right to operate a Restaurant using the System (“Franchised Business” or “your Restaurant”), and Franchisor has approved your application in reliance on the representations contained therein, including those concerning your financial resources, your business experience and interests, and the manner in which your Restaurant will be owned and operated.

**AGREEMENT**

IN CONSIDERATION OF the mutual promises contained in this Agreement, including the recitals and summary pages set forth above, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

**1. GRANT OF FRANCHISE**

**A. Grant**

Subject to the provisions of this Agreement, Franchisor hereby grants you the nonexclusive right (“Franchise”) to continuously operate a Restaurant using the System at the Approved Location identified (or to be identified) in Attachment B to this Agreement. You hereby undertake the obligation and agree to continually operate the Franchised Business during the term hereof and strictly according to the terms and conditions of this Agreement.

**B. Protected Area**

During the initial term and all successor terms, and provided that you are in full compliance with this Agreement and all other agreements between you and Franchisor, Franchisor shall neither operate nor grant others the right to operate another Restaurant in the geographic area identified in Attachment B to this Agreement (the “Protected Area”). Excluded from this protection, however, is any Closed Market (as defined on Attachment A) located in the Protected Area and any other alternative channel of distribution, including any Online Presence (as defined in Section 11.D). Franchisor and/or its Affiliates have the unlimited rights to operate or grant others

the right to operate one or more Restaurants, including Restaurants operating in the form of carts, kiosks, mobile units, concessions, or similar businesses, within Closed Markets located in any location, including within your Protected Area; by contrast, you are precluded from engaging in such activity.

Franchisor retains for itself and/or its Affiliates all other rights in and to the System including, without limitation: (a) the right to own and operate and to grant others the right to own and operate Restaurants at any location outside the Protected Area, regardless of proximity to the Protected Area; (b) the right to own and operate and to grant others the right to own and operate Restaurants and to otherwise license the use of any components of the System, including without limitation the Proprietary Marks, in any Closed Markets located at any location, including within the Protected Area; and (c) the right to distribute any and all products and services and/or their components or ingredients identified by the Proprietary Marks, including those used or sold in your Franchised Business, including, without limitation, proprietary merchandise (such as shirts, hats, jackets, etc.) and pre-packaged products (such as frozen and ready-to-eat food items, spices and sauces, etc.), through alternative channels of distribution, including, without limitation, grocery stores, supermarkets, convenience stores, restaurants, mail order, catalog sales, through any Online Presence, or any other channel of distribution whatsoever except a Restaurant, whether or not such sales occur within your Protected Area; you are not entitled to compensation for any such sales made in your Protected Area.

Nothing in this Agreement prohibits or restricts Franchisor or its Affiliates from owning, acquiring, establishing, operating, or granting franchise rights for (a) one or more other businesses at any location inside or outside of the Protected Area under a trademark or service mark other than FUZZY'S TACO SHOP®, whether or not the business is the same as, similar to, or competitive with the Restaurants; or (b) one or more businesses offering products or services other than fast-casual, ~~Baja-style~~ Mexican food menu offerings, whether or not using the Proprietary Marks or some derivative of the Proprietary Marks, at any location inside or outside of the Protected Area.

To the extent that Franchisor, from time to time, require or permit you to offer catering, delivery or other off-site services, Franchisor may also limit your right to provide such services to a geographic area designated by Franchisor or any of Franchisor's designated third-party delivery providers designates for your Restaurant. If Franchisor or a designated or the third-party delivery provider specifies a geographic area in which you may offer and provide delivery, catering and/or other off-site services, you agree not to offer or provide such services outside of that geographic area. Such geographic area may be modified by Franchisor or the third-party delivery provider from time to time and such geographic area may be different than your Protected Area.

## **2. TERM**

### **A. Initial Term**

The initial term of this Agreement ("Initial Term") shall begin on the Effective Date and shall expire at midnight on the Expiration Date, unless this Agreement is terminated at an earlier date pursuant to Section 18 of this Agreement.

### **B. Successor Term**

At the expiration of the Initial Term, you will have an option to remain a franchisee at the Approved Location for two additional, 10-year successor terms. You must give Franchisor written notice of whether or not you intend to exercise your successor term option no less than eight months, nor more than 12 months, before expiration of the then-current term. Failure to timely provide the required written notice constitutes a waiver of your option to remain a franchisee beyond the expiration of the then-current term. If you desire to exercise this option, you must comply with all of the following conditions prior to and at the end of the then-current term:

(1) You may not be in default under this Agreement or any other agreement between you and Franchisor or its Affiliates; you may not be in default beyond the applicable cure period of any Lease, equipment lease or financing instrument relating to the Franchised Business; you may not be in default beyond the applicable cure period with any vendor or supplier to the Franchised Business or Restaurant; and, for the 12 months before the date of your notice and the 12 months before the expiration of the then-current term, you have

been in strict compliance with this Agreement or any other agreements between you and Franchisor or its Affiliates;

(2) You must refurbish, remodel and improve your Restaurant, at your sole cost and expense, in accordance with Franchisor's then-current remodel requirements, which may include structural changes, remodeling, redecoration, and modifications to existing improvements. You shall complete such refurbishing, remodeling and improving on or prior to the end of the then-current term. To the extent Franchisor requires you to make additional changes to the refurbishing, remodeling, and improving of your Restaurant in order to comply with Franchisor's then-current standards, you shall promptly address such changes to Franchisor's satisfaction;

(3) You and your employees must be in compliance with Franchisor's then-current training requirements;

(4) You must have the right to remain in possession of your Approved Location, or have secured other premises acceptable to Franchisor, for the renewal term and all monetary obligations owed to your landlord, if any, must be current;

(5) You and each Owner (as defined on Attachment A) shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its Affiliates and their respective past and present officers, directors, shareholders, agents, and employees, in their corporate and individual capacity, including, without limitation, claims arising under federal, state, or local laws, rules, or ordinances, and claims arising out of, or relating to, this Agreement, any other agreements between you and Franchisor or its Affiliates and your operation of the Franchised Business and Restaurant and the offer and grant of the FUZZY'S TACO SHOP<sup>®</sup> franchise opportunity.

(6) As determined by Franchisor in its sole discretion, you have operated the Franchised Business and your Restaurant in accordance with this Agreement and with the System (as set forth in the Manual (as defined on Attachment A) or otherwise and as revised from time to time by Franchisor) and that you have operated any other FUZZY'S TACO SHOP<sup>®</sup> franchises in which you have an interest in accordance with the applicable franchise agreement.

Within four months after Franchisor's receipt of written notice of your desire for a successor term, Franchisor shall advise you whether or not you are entitled to remain a franchisee for the successor term. If Franchisor intends to permit you to remain a franchisee for the successor term, the notice will contain preliminary information regarding the required renovations and modernizations described in Subsection 2.B(2), above. If Franchisor does not intend to permit you to remain a franchisee for the successor term, the notice shall specify the reasons for non-renewal. If Franchisor chooses not to permit you to remain a franchisee for the successor term, it shall have the right to unilaterally extend the then-current term of this Agreement as necessary to comply with applicable laws.

If you are granted successor term rights, Franchisor will deliver to you for execution a new franchise agreement at least one month prior to the expiration of the then-current term. The form of successor agreement shall be the form then in general use by Franchisor for new FUZZY'S TACO SHOP<sup>®</sup> franchises (or, if Franchisor is not then granting franchises, then the form of agreement as specified by Franchisor), which may differ from this Agreement and may reflect, among other things, a different royalty fee, development fund fee, and marketing obligations. Your Protected Area under the successor agreement will be the same as under this Agreement, and Franchisor will waive any initial franchise fee imposed under the successor agreement.

You must pay a renewal fee of Five Thousand Dollars (\$5,000) and execute Franchisor's then-current franchise agreement for the successor term and return the signed agreement to Franchisor prior to expiration of the then-current term. Failure to pay the renewal fee and/or sign the franchise agreement and to return it to Franchisor within this time shall be deemed a waiver of your successor term option and result in termination of this Agreement and the franchise granted by this Agreement at the expiration of the then-current term. If you have timely complied with all of the conditions set forth in this Section 2, Franchisor shall execute the successor term franchise agreement and promptly return a fully executed copy to you.

### 3. DEVELOPMENT PROCEDURES

#### A. Site Selection

You must acquire an acceptable site for your Restaurant (by purchase or lease) within six months after the Effective Date of this Agreement. After Franchisor approves the site, it will insert its address on Attachment B (the “Approved Location”). The site must be located within the Site Selection Area identified in the Summary Page, must meet Franchisor’s site selection Standards, and must be approved by Franchisor.

#### B. Franchise Site Application

For each proposed site that you identify, you must submit to Franchisor a Franchise Site Application (as defined on Attachment A) including such information about the site as Franchisor may reasonably request to perform its evaluation. This information may include, among other things, a description of the proposed site, demographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses, the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase price, rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics and a site plan of the proposed site.

Franchisor may from time to time retain the services of, or enter into master contracts with, certain providers of site evaluation products and services. If Franchisor enters into such a relationship, it may require you to use the services of such supplier to evaluate the sites you propose for your Restaurant. If Franchisor requires you to purchase such products and services from its designated third-party supplier, Franchisor will pay the supplier on your behalf. There is no charge to you for such products and services for the first site you propose for a Restaurant, but for your second or subsequent site you propose for your Restaurant, Franchisor may charge you a fee for those products and services.

Franchisor will approve or disapprove a proposed site within 30 days after the receipt of these documents and any additional information as Franchisor may reasonably require. Franchisor’s failure to provide notification within this time period shall be considered disapproval. To the extent that Franchisor provides onsite evaluations, you must reimburse Franchisor for any out of pocket costs that it incurs in connection with performing the evaluation, such as travel, lodging, and dining expenses for each individual performing the evaluation.

**THE PARTIES ACKNOWLEDGE AND AGREE THAT NEITHER YOUR USE OF FRANCHISOR’S APPROVED SITE EVALUATION SERVICES NOR FRANCHISOR’S APPROVAL OF YOUR PROPOSED SITE CONSTITUTES, DIRECTLY OR IMPLICITLY, AN ASSURANCE THAT YOUR RESTAURANT WILL ACHIEVE A CERTAIN SALES VOLUME OR LEVEL OF PROFITABILITY; IT MEANS ONLY THAT THE PROPOSED SITE MEETS FRANCHISOR’S MINIMUM CRITERIA. FRANCHISOR ASSUMES NO LIABILITY OR RESPONSIBILITY FOR: (1) EVALUATION OF YOUR RESTAURANT LOCATION’S SOIL FOR HAZARDOUS SUBSTANCES; (2) INSPECTION OF ANY STRUCTURE ON YOUR RESTAURANT LOCATION FOR ASBESTOS OR OTHER TOXIC OR HAZARDOUS MATERIALS; (3) COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT (“ADA”); OR (4) COMPLIANCE WITH ANY OTHER APPLICABLE LAW. IT IS YOUR SOLE RESPONSIBILITY TO CHOOSE A SITE FOR YOUR RESTAURANT BASED ON YOUR INDEPENDENT INVESTIGATION, AND OBTAIN SATISFACTORY EVIDENCE AND/OR ASSURANCES THAT YOUR RESTAURANT LOCATION (AND ANY STRUCTURES THEREON) IS FREE FROM ENVIRONMENTAL CONTAMINATION AND IS IN COMPLIANCE WITH THE REQUIREMENTS OF THE ADA AND OTHER APPLICABLE LAWS.**

#### C. Lease Terms

Franchisor must review any agreement by which you secure possession of your Approved Location (the “Lease”) before you sign it. The Lease must contain certain provisions Franchisor requires, including collateral assignment of lease, pursuant to the form of lease rider attached as Attachment G (“Lease Rider”). It is your sole responsibility to obtain a fully-executed Lease Rider in connection with executing your Lease. Franchisor’s

approval of your site is subject to Franchisor's receipt of the Lease Rider in the form attached as Attachment G, without modification or negotiation, executed by you and the landlord. The Lease Rider is intended to provide Franchisor certain protections under your Lease, and may not benefit you or the landlord. You shall provide to Franchisor a fully executed copy of the Lease within 10 days after its execution.

**THE PARTIES ACKNOWLEDGE AND AGREE THAT FRANCHISOR'S REVIEW OF A LEASE AND APPROVAL OF A SITE DOES NOT CONSTITUTE, DIRECTLY OR IMPLICITLY, AN ASSURANCE THAT YOU SHOULD SIGN THE LEASE, OR THAT THE TERMS OF THE LEASE ARE FAVORABLE TO YOU. IT MEANS ONLY THAT THE LEASE CONTAINS THE LEASE TERMS THAT FRANCHISOR REQUIRES.**

#### **D. Relocation**

You may relocate your Restaurant only with Franchisor's prior written consent. Franchisor will grant its consent if your Lease expires or terminates through no fault of yours, or if your Approved Location is destroyed or materially damaged by fire, flood, or other natural catastrophe (an "Innocent Loss or Casualty") and you are not in default of this Agreement or any other agreement between you and Franchisor and its Affiliates. Selection of the relocation site and Restaurant construction, renovation, and opening shall be governed by Sections 3, 4, and 5 of this Agreement; provided that: (i) if the relocation occurred as a result of the loss of an Innocent Loss or Casualty, your Restaurant must be open for business at the new location within 180 days of closing at the previous location; and (ii) if the relocation occurred for any other reason, your Restaurant must be open for business at the new location within five days of closing at the previous location. You are solely responsible for all relocation costs and expenses, including your payment of Franchisor's then-current Relocation Fee, as published in the Manual from time to time.

### **4. DRAWINGS, CONSTRUCTION, AND RENOVATION**

#### **A. Specifications and Construction**

You assume all cost, liability, and expense for developing, constructing, and equipping your Restaurant. Franchisor will furnish to you sample drawings and specifications for a Restaurant, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment, signs, furnishings, storefront, signage, graphics, and color schemes. It is your responsibility to have prepared all required construction plans and specifications to suit the shape and dimensions of your Restaurant, and you must ensure that these plans and specifications comply with applicable ordinances, building codes, and permit requirements, and with Lease requirements and restrictions. You shall use only registered architects, registered engineers, and professional and licensed contractors.

You shall submit proposed construction plans, specifications, and drawings for your Restaurant ("Plans") to Franchisor and shall, upon Franchisor's request, submit all revised or "as built" Plans during the course of such construction. Franchisor will approve or disapprove the Plans and notify you within 30 days after receiving the Plans. Once Franchisor has approved the Plans, the Plans shall not be substantially changed without Franchisor's prior written approval. Franchisor shall approve or disapprove Plan changes within 10 business days after receipt.

You may not begin site preparation or construction before Franchisor has approved the Plans. All construction must be in accordance with Plans approved by Franchisor and must comply in all respects with the Standards and with applicable laws, ordinances, local rules, and regulations.

**THE PARTIES ACKNOWLEDGE AND AGREE THAT FRANCHISOR'S APPROVAL OF YOUR PLANS DOES NOT CONSTITUTE, DIRECTLY OR IMPLICITLY, AN ASSURANCE THAT THE PLANS COMPLY WITH FEDERAL, STATE, OR LOCAL LAWS AND REGULATIONS, INCLUDING THE ADA; IT MEANS ONLY THAT THE PROPOSED SITE MEETS FRANCHISOR'S MINIMUM CRITERIA. IT IS YOUR RESPONSIBILITY TO CONFIRM THAT YOUR RESTAURANT AND APPROVED LOCATION COMPLY WITH THE ADA AND ALL OTHER**

## **APPLICABLE ORDINANCES, BUILDING CODES, PERMIT REQUIREMENTS, AND LEASE REQUIREMENTS AND RESTRICTIONS.**

Construction shall be performed or supervised by a general contractor or construction manager of your choice, subject to the requirements of this Section. However, it is your sole responsibility to ensure that your Restaurant is constructed, furnished, equipped and otherwise prepared to open for business in accordance with this Agreement and the System. You agree to construct your Restaurant in accordance with Franchisor's Standards, and open it for business no later than the Opening Date specified in the Summary Page ("Opening Date") in accordance with Section 5.

### **B. Acquisition of Necessary Furnishings, Fixtures, and Equipment**

You agree to use in the development and operation of your Restaurant only the fixtures, furnishings, equipment, signs, and items of décor that Franchisor has approved as meeting its Standards. You further agree to place or display at your Approved Location (interior and exterior) only those signs, emblems, lettering, logos, and display materials that Franchisor has approved in writing from time to time.

You shall purchase or lease approved brands, types, or models of fixtures, furnishings, equipment, and signs only from suppliers designated or approved by Franchisor. If you propose to purchase, lease or otherwise use any fixtures, furnishings, equipment, signs, or items of décor which have not been approved by Franchisor, you shall first notify Franchisor in writing and shall, at your sole expense, submit to Franchisor upon its request sufficient specifications, photographs, drawings, and/or other information or samples for a determination as to whether those fixtures, furnishings, equipment, and/or signs comply with the Standards. Franchisor will, in its sole discretion, approve or disapprove the items and notify you within 30 days after Franchisor receives the request.

### **C. Inspection; Cooperation**

During the course of construction and/or renovation, you shall (and shall cause your architect, engineer, contractors, and subcontractors to) cooperate fully with Franchisor and its designees for the purpose of permitting Franchisor and its designees to inspect your Approved Location and the course of construction or renovation in order to determine whether construction or renovation is proceeding according to the Plans.

### **D. Final Inspection**

You shall notify Franchisor in writing at least 10 days prior to the date you expect construction and/or renovation to be completed and a certificate of occupancy to be issued. You shall submit a copy of the certificate of occupancy to Franchisor. Franchisor may, after receiving your notice, conduct a final inspection of your Restaurant and the Approved Location to determine your compliance with this Agreement. You shall not open your Restaurant for business unless you have satisfied the conditions set forth in Section 5 below.

## **5. OPENING**

Franchisor will authorize the opening of your Restaurant only after all of the following conditions have been met, at your sole expense, which must be met no later than the Opening Date:

- (1) You obtain and maintain all required building, utility, sign, health, sanitation, business, alcoholic beverage, and other permits and licenses applicable to the Franchised Business;
- (2) You make all required improvements to your Approved Location and decorate the exterior and interior of your Restaurant in compliance with the Plans approved by Franchisor;
- (3) You purchase or lease and install all specified and required fixtures, equipment, furnishings, and interior and exterior signs required for your Restaurant;
- (4) You purchase an opening inventory for your Restaurant of only authorized and approved products and other materials and supplies;

(5) You are not in material default under this Agreement or any other agreements with Franchisor; you are not in default beyond the applicable cure period under any Lease, equipment lease, or financing instrument relating to your Restaurant; and you are not in default beyond the applicable cure period with any vendor or supplier of your Restaurant;

(6) You are current on all obligations due to Franchisor;

(7) Franchisor is satisfied that your Restaurant was constructed and/or renovated substantially in accordance with approved Plans and with applicable federal, state, and local laws, regulations, and codes;

(8) Franchisor has received a copy of the fully executed Lease and Lease Rider;

(9) You have obtained a certificate of occupancy and any other required health, safety, or fire department certificates;

(10) You have certified to Franchisor in writing that the installation of all items of furnishings, fixtures, equipment, signs, computer terminals, and related equipment, supplies, and other items has been accomplished, and that you have obtained all required opening supplies and inventory;

(11) Your Designated Manager (as defined in [Section 11.J](#)) has attended and successfully completed Franchisor's initial training program ~~and your personnel have obtained all required food safety training and alcoholic beverage certifications;~~

~~(12)~~ [\(12\) Your personnel have obtained all required food safety training and alcoholic beverage certifications applicable to the Franchised Business;](#)

[\(13\)](#) Franchisor has determined that your Restaurant has been constructed and/or renovated and equipped substantially in accordance with the requirements of this Agreement and that you have hired and trained personnel in accordance with the requirements of this Agreement; and

~~(13)~~ [\(14\)](#) Franchisor has been furnished copies of all insurance policies required by [Section 16](#) of this Agreement, and all such insurance is in full force and effect.

## 6. FEES

### A. Initial Franchise Fee

Upon execution of this Agreement, you shall pay Franchisor an Initial Franchise Fee in the amount of \$40,000, unless otherwise specified in the Summary Page. The parties acknowledge and agree that the Initial Franchise Fee is fully earned by Franchisor when paid and is not refundable.

### B. Royalty Fee

Each week during the term of this Agreement, you shall pay to Franchisor a nonrefundable and continuing royalty fee ("Royalty Fee") in an amount equal to 5% of weekly Gross Sales. If any taxes, fees, or assessments are imposed on Royalty Fee payments by reason of Franchisor's acting as franchisor or licensing the System under this Agreement, you shall reimburse Franchisor the amount of those taxes, fees, or assessments within 30 days after receive of an invoice from Franchisor.

### C. Development Fund & Advertising Contributions

You shall contribute to the Development Fund (as defined in [Section 15.C](#)) and participate in any Advertising Cooperative (as defined in [Section 15.D](#)) formed for the region in which your Restaurant operates as described in [Section 15](#) of this Agreement.

### D. Payment of Fees

You must make all payments due under this Agreement in the manner we designate from time to time and you agree to comply with all of our payment instructions. All amounts payable by you or your owners to us or our affiliates must be in United States Dollars (\$USD).

You must participate in Franchisor's then-current electronic funds transfer program authorizing Franchisor to utilize a pre-authorized bank draft system, including by signing Franchisor's form of Authorization for Prearranged Payments (ACH Debits) attached as Attachment E, or the other documents required from time to time by Franchisor. All Royalty Fees, Development Fund Contributions, and other amounts owed under this Agreement, including advertising contributions and interest charges, are payable weekly and must be received by Franchisor or credited to Franchisor's account by pre-authorized bank debit before 5:00 p.m. on the date such payment is due, or as otherwise specified in the Manual (the "Due Date"). On each Due Date, Franchisor will transfer from your commercial bank operating account ("Account") the amount reported to Franchisor by you or as determined by Franchisor by the records contained in the cash registers/computer terminals of your Restaurant. If you have not reported to Franchisor Gross Sales for any reporting period, Franchisor will transfer from the Account an amount calculated in accordance with its estimate of your Restaurant's Gross Sales during the reporting period which estimate may be based on, among other things, historical financial performance of your Restaurant and/or current and historical performance of other Restaurants operated by, or franchised by, Franchisor.

If, at any time, Franchisor determines that you have underreported Gross Sales or underpaid the Royalty Fee, Development Fund Contributions, or other amounts due to Franchisor under this Agreement, or any other agreement, Franchisor shall initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited against future Royalty Fees and other payments due under this Agreement.

Despite any designation you make, Franchisor may apply any of your payments to Franchisor or its Affiliates to any of your past due indebtedness to Franchisor or its Affiliates. Franchisor may set off any amounts you owe Franchisor or its Affiliates against any amounts Franchisor or its Affiliates owes you.

In connection with the payment by electronic funds transfer, you shall: (1) comply with procedures specified by Franchisor in the Manual or otherwise in writing; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described in this Section 6.D; (3) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the Royalty Fee, Development Fund Contributions, and other amounts payable under this Agreement, including any interest charges; and (4) make sufficient funds available in the Account for withdrawal by electronic funds transfer no later than the Due Date for payment thereof.

Notwithstanding the provisions of this Section 6.D, Franchisor reserves the right to modify, at its option, the method of payment, timing or intervals for the Royalty Fee and other amounts owed under this Agreement, including Development Fund contributions and interest charges, upon receipt of written notice by Franchisor. All amounts payable by you or your owners to us or our affiliates must be in United States Dollars (\$USD).

Your failure to have sufficient funds in the Account shall constitute a default of this Agreement pursuant to Section 18. You shall not be entitled to set off, deduct, or otherwise withhold any Royalty Fees, Development Fund Contributions, advertising contributions, interest charges, or other monies payable to Franchisor under this Agreement on grounds of any alleged nonperformance by Franchisor of any of its obligations or for any other reason.

#### **E. Interest; Insufficient Funds Charge**

Any payments not received by the Due Date will accrue interest at the rate of 18% per annum or the highest lawful interest rate permitted by the jurisdiction in which your Restaurant operates, whichever is less. If any check, draft, electronic or otherwise, is returned for nonsufficient funds, you shall pay to Franchisor a nonsufficient funds charge in an amount determined by Franchisor, but not to exceed \$100 per transaction, and shall reimburse Franchisor for all expenses that it incurs on account of such nonsufficient funds.

## **F. Partial Payments**

No payment by you or acceptance by Franchisor of any monies under this Agreement for a lesser amount than due shall be treated as anything other than a partial payment on account. Your payments of a lesser amount than due with an endorsement, statement, or accompanying letter to the effect that payment of the lesser amount constitutes full payment shall be given no effect and Franchisor may accept the partial payments without prejudice to any rights or remedies it may have against you. Acceptance of payments by Franchisor other than as set forth in this Agreement shall not constitute a waiver of Franchisor's right to demand payment in accordance with the requirements of this Agreement or a waiver by Franchisor of any other remedies or rights available to it pursuant to this Agreement or under applicable law. Notwithstanding any designation by you, Franchisor shall have the sole discretion to apply any payments by you to any of your past due indebtedness for Royalty Fees, advertising contributions, purchases from Franchisor or its Affiliates, interest or any other indebtedness. Franchisor has the right to accept payment from any other entity as payment by you. Acceptance of that payment by Franchisor will not result in that other entity being substituted as franchisee under this Agreement.

## **G. Collection Costs and Expenses**

You agree to pay Franchisor on demand any and all costs and expenses incurred by Franchisor in enforcing the terms of this Agreement including, without limitation, collecting any monies that you owe to Franchisor. These costs and expenses include, without limitation, costs and commissions due a collection agency, reasonable attorneys' fees, costs incurred in creating or replicating reports demonstrating Gross Sales of your Restaurant, court costs, expert witness fees, discovery costs, and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing.

## **7. RECORDKEEPING AND REPORTS**

### **A. Recordkeeping**

You agree to use computerized cash and data capture and retrieval systems that meet the Standards and to record Restaurant sales electronically or on tape for all sales by your Franchised Business. You shall keep and maintain, in accordance with any procedures set forth in the Manual, complete and accurate books and records pertaining to the Franchised Business in the format and using the accounting software that Franchisor requires. Your books and records shall be kept and maintained using generally accepted accounting principles. You shall preserve all of your books, records, and state and federal tax returns for at least five years after the later of preparation or filing (or such longer period as may be required by any governmental entity) and make them available and provide duplicate copies to Franchisor within five days after Franchisor's written request.

### **B. Quarterly Reports**

You shall, at your expense, submit to Franchisor no later than 30 days after the expiration of each calendar quarter (or other three-month period designated by Franchisor), in the form prescribed by Franchisor, a quarterly profit and loss statement and balance sheet (both of which may be unaudited). Each statement and balance sheet shall be signed by you, your treasurer, or chief financial officer attesting that it is true, correct, and complete and uses accounting principles applied on a consistent basis which accurately and completely reflects the financial condition of the Franchised Business during the period covered.

### **C. Annual Reports**

You shall, at your expense, submit to Franchisor no later than April 15<sup>th</sup> of each year, in the form prescribed by Franchisor, an annual profit and loss statement and balance sheet reviewed by a certified public accountant. The statement and balance sheet shall be signed by you, your treasurer, or chief financial officer attesting that it is true, correct, and complete, and uses accounting principles applied on a consistent basis which accurately and completely reflects the financial condition of the Franchised Business during the period covered. Franchisor also shall have the right, in its reasonable discretion, to require that you, at your expense, submit financial statements that have been reviewed by a certified public accounting firm acceptable to Franchisor for any period or periods of a fiscal year.

## **D. Other Reports**

You shall submit to Franchisor, for review or auditing, such other forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and at times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing. At Franchisor's request, you shall furnish to Franchisor a copy of all federal and state income tax returns reflecting revenue derived from the operation of the Franchised Business, and copies of all sales tax returns, filed with the appropriate taxing authorities.

## **E. Audit Rights**

Franchisor or its designee shall have the right at all reasonable times, both during and after the term of this Agreement, to inspect, copy, and audit your books, records, and federal, state, and local tax returns, sales tax returns and such other forms, reports, information, and data as Franchisor reasonably may designate, applicable to the operation of the Franchised Business. If an inspection or audit discloses an understatement of Gross Sales, you shall pay Franchisor the deficiency plus interest (at the rate and on the terms provided in [Section 6.E](#)) from the date originally due until the date of payment, in accordance with [Section 6.D](#). If an inspection or audit is made necessary by your failure to furnish reports or supporting records as required under this Agreement, or to furnish such reports, records, or information on a timely basis, or if an understatement of Gross Sales for the period of any inspection or audit is determined to be greater than 2%, you also shall reimburse Franchisor for the reasonable cost of the inspection or audit including, without limitation, the charges of attorneys and independent accountants, and the travel expenses, room, board, and compensation of Franchisor's employees or designees involved in the inspection or audit. These remedies shall be in addition to all other remedies and rights available to Franchisor under this Agreement and applicable law.

## **F. Accounting Practices**

If you fail to comply with any of the reporting requirements described in this [Section 7](#) then Franchisor may require you to engage a bookkeeping service provider, designated or approved by Franchisor, to provide book keeping services for the Franchised Business for such period of time that Franchisor deems appropriate, in its sole discretion.

## **8. Training and Assistance**

### **A. Training**

Franchisor will provide an initial training program at a location as Franchisor may designate or virtually. Your Designated Manager and such other of your employees as Franchisor may reasonably require must attend and successfully complete the initial training program before your Restaurant may open for business. There is no charge for your Designated Manger up to two additional individuals to attend the initial training program. At your request, Franchisor may permit additional individuals to attend the same training program, subject to space availability and payment of a reasonable tuition.

Your Designated Manager and other Restaurant personnel shall also attend and successfully complete ~~to Franchisor's satisfaction~~ all food safety training courses ~~and alcoholic beverage service training courses and programs~~ that Franchisor requires from time to time, including, without limitation, courses and programs provided by third-parties Franchisor designates, and all training that may be required by the state or local municipality where your Restaurant is located, including all alcoholic beverage service training. You and your personnel shall maintain all certifications required by Franchisor or any governmental agency at all times throughout the term of this Agreement.

Franchisor may charge, and you agree to pay, a reasonable tuition for all courses and programs that it provides from time to time plus, when applicable, reimbursement of Franchisor's out of pocket costs it incurs in connection with providing such training, including travel, lodging, and dining costs for the individual(s) providing such training.

You shall be responsible for training your employees in all aspects of Restaurant operations including food preparation, food handling, presentation, ~~alcoholic beverage service~~, and customer service. Franchisor may, in its sole discretion, develop training and certification programs for your employees. You (or your Designated Manager) shall become familiar with these programs and shall implement and provide instruction and training to your Restaurant employees. **ANY TRAINING AND CERTIFICATION PROGRAMS REQUIRED BY FRANCHISOR ARE INTENDED ONLY TO ENSURE THAT RESTAURANT EMPLOYEES MEET FRANCHISOR'S MINIMUM REQUIREMENTS. IT IS YOUR SOLE RESPONSIBILITY TO ENSURE THAT ALL EMPLOYEES ARE SUFFICIENTLY TRAINED TO PROVIDE SERVICES AT YOUR RESTAURANT.**

Franchisor may, in its sole discretion, require your Designated Manager, and/or any other of your employees to attend and complete, ~~to Franchisor's satisfaction~~, such other additional and remedial training as Franchisor may from time to time reasonably deem necessary. ~~Franchisor may also require your Principal Owner (as defined in Section 12.F) to attend the initial training program, or any additional or remedial training, if you do not appoint a Designated Manager, or your Designated Manager is unable to complete Franchisor's training programs to Franchisor's satisfaction.~~ By way of example and not limitation, remedial training may be required if you repeatedly fail to comply with the Standards, fail to comply with reporting requirements of this Agreement, or receive significant customer complaints. Franchisor may charge, and you agree to pay, a reasonable fee for each day of additional and/or remedial training provided plus, when applicable, reimbursement of Franchisor's out of pocket costs it incurs in connection with providing such training, including travel, lodging, and dining costs for the individual(s) providing such assistance.

You are responsible for all costs and expenses of complying with Franchisor's training and certification requirements including, without limitation, tuition, fees, and registration costs, as well as salary, travel, lodging, and dining costs for all employees who participate in the training.

## **B. Pre-Opening and Opening Assistance**

Franchisor will provide consultation and advice to you, as Franchisor deems appropriate, with regard to the development and operation of your Restaurant, building layout, furnishings, fixtures, and equipment plans and specifications, employee recruiting, selection and training, purchasing and inventory control, and such other matters as Franchisor deems appropriate.

You must conduct New Store Opening Support Plan as set forth in the Operations Manual. The personnel that provides the New Store Opening Support Plan will vary, and we may require that you conduct any or all of the New Store Opening Support Plan with your own personnel at your own cost. The New Store Opening Support Plan may also require you to meet certain standards and criteria before you may or Franchisor will conduct any New Store Opening Store Plan.

Notwithstanding anything in this Agreement to the contrary, if you fail to comply with the standards and criteria set forth in the New Store Opening Support Plan, Franchisor is not obligated to provide you any on-site opening assistance, and if Franchisor elects (at its option) to provide you any such assistance, you must pay Franchisor's then-current training fee, and reimbursement to Franchisor for its training-related expenses, including travel, lodging and dining costs for trainers.

## **C. Ongoing Assistance**

Franchisor periodically, as it deems appropriate, will advise and consult with you in connection with the operation of your Franchised Business, and provide to you its knowledge and expertise regarding the System and pertinent new developments, techniques, and improvements in the areas of management, food and beverage preparation, sales promotion, service concepts, and other areas. Franchisor may provide these services through visits by Franchisor's representatives to your Restaurant, the distribution of printed or filmed material, or electronic information, meetings, or seminars, telephone communications, email communications, or other communications.

Notwithstanding any provision in this Agreement to the contrary (including Franchisor's obligations related to operations support, inspections, training or otherwise), Franchisor will not be required to send any of its personnel and/or representatives to your Restaurant to provide any services in-person if, in Franchisor's sole determination, it is unsafe to do so. Such determination by Franchisor will not relieve you from your obligations under this Agreement and will not serve as a basis for your termination of this Agreement. Franchisor may also, at any time, for any reason, elect to conduct any or all support, inspections, training, or other services virtually, and you agree to comply with our instructions for all virtual programs.

#### **D. Conferences**

Franchisor may, in its sole discretion, conduct from time-to-time conferences to discuss System developments including new menu items, operational efficiency, bookkeeping, accounting, inventory control, performance standards, advertising programs, and merchandising procedures. Attendance at such conferences may be made mandatory for ~~your Principal Owner~~you, your Designated Manager and/or certain of your other managers or employees. You are responsible for all costs and expenses associated with attendance including, without limitation, salary, travel, lodging, and dining costs for conference attendees.

#### **9. Manual**

Franchisor will make the Manual available to you during the term of this Agreement. The Manual may take the form of one or more of the following: one or more loose-leaf or bound volumes; bulletins; notices; videos; CD-ROMS and/or other electronic media; online postings; e-mail and/or electronic communications; facsimiles; or, any other medium capable of conveying the Manual's contents. Franchisor may supplement, amend, or modify the Manual from time to time by letter, email, bulletin, CD, DVD, MP3, or other communications concerning the System, all of which will be considered a part of the Manual and will, upon delivery to you, become binding on you as if originally set forth in the Manual. You must keep your copy of the Manual current and up to date with all additions and deletions provided by or on behalf of Franchisor and you must purchase whatever equipment and related services (including, without limitation, a CD/DVD player, and/or MP3 player, computer system, internet service, dedicated phone line, facsimile machine, etc.) as may be necessary to receive these communications. If a dispute relating to the contents of the Manual develops, the master copy maintained by Franchisor at its principal offices shall control. The Manual is material because it will affect the way you operate your Franchised Business, but it will not conflict with or materially alter your rights and obligations under this Agreement.

The Manual contains the Standards, other suggested or recommended standards, specifications, instructions, requirements, methods, and procedures for management and operation of the Franchised Business, and other information regarding your obligations under this Agreement. You agree to not reproduce the Manual or any part of it, to treat the Manual as strictly confidential and proprietary, and to disclose the contents of the Manual only to those employees who have a need to know. Upon termination or expiration of this Agreement, you shall immediately return the Manual without retaining any copies thereof.

If you maintain a hard copy of the Manual, you agree keep it exclusively in a safe and secure location at your Restaurant. If you lose or misplace any hard-copy Manual, you may request that Franchisor provide you a replacement copy. If Franchisor agrees to do so, Franchisor may impose a replacement fee which will not exceed \$100 for each hard-copy replacement Manual.

#### **10. Modifications of the system**

Franchisor may, in its sole discretion, change or modify from time to time the System, any components of this System, and the requirements applicable to you by means of supplements or amendments to the Manual, including, but not limited to, modifications to the menu and menu formats, the required equipment, the signage, the building and premises of your Restaurant (including the trade dress, décor, and color schemes), the presentation of the Proprietary Marks, and other characteristics to which you are required to adhere (subject to the limitations set forth in this Agreement); adoptions of new administrative forms and methods of report and of payment of any monies owed by Franchisee (including electronic means of reporting and payment); alterations of the Standards; and additions to, deletions from, or modifications to the products and services which you

Franchised Business is authorized and/or required to offer; and additions, changes, removal, improvements, modifications, substitutions to, of, from, or for the Proprietary Marks or Copyrighted Works. You must accept and implement at your Restaurant any such changes or modifications in the System as if they were a part of the System at the time you executed this Agreement, and you must make such expenditures as the changes or modifications in the System reasonably require, regardless of whether these costs are fully amortizable over this Agreement's remaining term.

You may set menu prices in your discretion; however, because enhancing the System's competitive position and consumer acceptance for the System's products and services is a paramount goal of Franchisor and its franchisees, and because this objective is consistent with the long-term interest of the System overall, Franchisor may exercise certain rights, to the fullest extent permitted by then-applicable law, with respect to pricing of products and services, including, but not limited to, establishing the maximum and/or minimum retail prices which you may charge customers for the products and services offered and sold at your Restaurant; recommending retail prices; advertising specific retail prices for some or all products or services sold at your Restaurant, which Franchisor may compel you to observe and honor; and developing and advertising price promotions or package promotions which may directly or indirectly impact your retail prices, and in which Franchisor may compel you to participate. Franchisor may engage in any such activity periodically or throughout the term of this Agreement, and may engage in such activity in some geographic areas but not others, or with regard to certain subsets of franchisees but not others. You acknowledge and agree that any maximum, minimum, or other prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of your Restaurant, and you irrevocably waive any and all claims arising from or related to Franchisor's prescription or suggestion of your Restaurant's retail prices.

You acknowledge that because uniformity may not be possible or practical under many varying conditions, Franchisor reserves the right to materially vary the System or franchise agreement terms for any franchisee, based on the timing of the grant of the franchise, the peculiarities of the particular territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions, or any other condition which Franchisor considers important to the successful operation of the System. You have no right to require Franchisor to disclose any variation or to grant the same or a similar variation to you. Franchisor may also permit variations in the Standards between Restaurants owned by Franchisor (or its Affiliates) and Restaurants owned by franchisees. If you operate a non-traditional Restaurant, including a taqueria-style Restaurant, Franchisor may also vary the Standards substantially from a traditional Restaurant. Franchisor may vary the menu offerings that you are authorized to offer based on the specifications of your Restaurant, the market you operate in, and other factors unique to your Restaurant, including authorizing a limited menu if you operate a taqueria-style or other non-traditional Restaurant.

## **11. Performance Requirements**

### **A. Standards, Specifications and Procedures**

You agree to at all times operate your Franchised Business in strict compliance with the Standards (as supplemented, amended, or modified by Franchisor from time to time) including, without limitation: (1) type, quality, taste, weight, dimensions, ingredients, uniformity, manner of preparation, pricing, and sale of all food products and beverages sold at your Restaurant; (2) sales and marketing procedures and customer service; (3) advertising and promotional programs; (4) layout, décor, and color scheme of your Restaurant; (5) appearance and dress of employees; (6) safety, maintenance, appearance, cleanliness, sanitation, standards of service, and operation of your Restaurant; (7) submission of requests for approval of brands of products, supplies, and suppliers; (8) use and illumination of signs, posters, displays, standard formats, and similar items; (9) use of audio equipment and type and decibel levels of music; (10) use of video equipment and type and decibel level of television broadcasts (including closed captioning requirements); (11) types of fixtures, furnishings, equipment, smallwares, and packaging; (12) menus, including product offerings, appearance, and inclusion of nutrition information; (13) participation in quality assurance and customer satisfaction programs; (14) use of any third-party food delivery services, online ordering services, or other food aggregation services; (15) payment methods, systems, accepted credit and debit cards and currencies, and verification services; (16) issuing and

honoring gift cards, gift certificates and similar items, and participating in loyalty programs; (17) days and hours of operation; (18) bookkeeping, accounting, recordkeeping, and data security; and (18) the make, type, location, and decibel level of any game, entertainment, or vending machine.

All products, ingredients, beverages, merchandise, advertising materials, furniture, fixtures, equipment, smallwares, supplies, and stationery used in connection with the operation of your Restaurant must meet Franchisor's Standards, as promulgated from time to time. Such Standards may include brand specifications, and to the extent that brand specifications have been identified, you may purchase and use only the brands Franchisor has approved as part of the Standards.

## **B. Approved Suppliers and Distributors**

You must purchase those products designated by Franchisor only from suppliers and/or distributors approved and designated by Franchisor ("Designated Suppliers"), including, but not limited to: (1) fixtures, furniture, equipment, signs, items of décor; (2) food products and ingredients developed by or for Franchisor pursuant to a special recipe, formula, or specifications; (3) all fountain and bottled beverages; (4) uniforms, shirts, and all merchandise and items intended for retail sale (whether or not bearing the Proprietary Marks); (5) advertising, point-of-purchase materials and other printed promotional materials; (6) gift certificates and stored value cards; (7) stationery, business cards, contracts, and form; (8) bags, packaging, and supplies bearing the Proprietary Marks; (9) advertising and marketing services, including loyalty and mobile applications and public relations; (10) delivery platforms and services, mobile ordering apps and services, and online or virtual order fulfillment services; and (11) other products and services that Franchisor requires.

Franchisor may, in its sole discretion, enter into supply contracts either for all Restaurants or a subset of Restaurants situated within one or more geographic regions (each a "Systemwide Supply Contract"). Franchisor may enter into Systemwide Supply Contracts with one or more vendors of products, services, or equipment and may require all company-owned and franchised Restaurants in a geographic area to purchase from, use, or sell to such vendors. If Franchisor enters into such Systemwide Supply Contracts, then immediately upon notification, you and all Restaurants in the geographic area must purchase the specified product, service, or equipment only from the designated supplier; provided, however, that if, at the time of such notification, you are already a party to a non-terminable supply contract with another vendor or supplier for the designated product, service, or equipment, then your obligation to purchase from Franchisor's designated supplier under the Systemwide Supply Contract will not begin until the scheduled expiration or earlier termination of your pre-existing supply contract. Franchisor makes no representation that it will enter into any Systemwide Supply Contracts or other exclusive supply arrangements or, if it does, that you will not otherwise be able to purchase the same products and/or services at a lower price from another supplier. Franchisor may add to, modify, substitute or discontinue Systemwide Supply Contracts or exclusive supply arrangements in the exercise of its sole discretion.

Franchisor may also establish commissaries and distribution facilities owned and operated by Franchisor or its Affiliates, or otherwise designate Franchisor or its Affiliates as a Designated Supplier. Franchisor may receive money or other benefits from Designated Suppliers based on your purchases; you agree that Franchisor has the right to retain and use all such benefits as it deems appropriate, in its sole discretion.

Franchisor may approve one or more suppliers for any goods or materials and may approve a supplier only as to certain goods or materials. Franchisor may concentrate purchases with one or more suppliers or distributors to obtain lower prices and/or the best advertising support and/or services for any group of Restaurants or any other group of Restaurants franchised or operated by Franchisor or its Affiliates.

If you propose to purchase from a previously unapproved source, you shall submit to Franchisor a written request for such approval, or shall request the supplier to submit a written request on its own behalf. Franchisor has the right to require, as a condition of its approval, that its representatives be permitted to sample the product and inspect the supplier's facilities, and that such information, specifications, and samples as Franchisor reasonably requires be delivered to Franchisor and/or to an independent, certified laboratory designated by Franchisor for testing prior to granting approval. A charge not to exceed the reasonable cost of the

inspection and the actual cost of the test shall be paid by you. Franchisor will make all determinations about whether to approve an alternative supplier in its discretion based on Franchisor's then-current criteria, which may change from time to time. Franchisor may also refuse to consider and/or approve any proposed alternative vendor for any reason whatsoever. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier. Franchisor may, with or without cause, revoke its approval of any vendor at any time. You acknowledge that Franchisor is likely to reject your request for a new supplier without conducting any investigation if Franchisor have already designated an exclusive supplier for that product or service.

### **C. Authorized Products and Services; Approved Menu Boards and Formats**

You shall cause your Restaurant to offer and sell all products and services that Franchisor requires, and only products and services that Franchisor approves for sale by Restaurants. Franchisor may add, modify and discontinue authorized products and services at any time, in its sole discretion, and you shall promptly comply with all directives. Your Restaurant shall begin offering for sale additional or modified products, and cease offering discontinued products, within 10 days of the date you receive written notice of the addition, modification, or discontinuance. All products or services offered for sale in connection with the Franchised Business shall meet Franchisor's Standards. Franchisor may, in its sole discretion, restrict sales of certain menu items to certain time periods during the day.

You shall at all times maintain an inventory of approved goods and materials sufficient in quality and variety to realize the full potential of your Restaurant. Franchisor may, from time to time, conduct market research and testing to determine consumer trends and the salability of new food products and services. You agree to cooperate in these efforts by participating in the FUZZY'S TACO SHOP® customer surveys and market research programs if requested by Franchisor. All customer surveys and market research programs will be at Franchisor's sole cost and expense, unless you have volunteered to participate in the survey or market research and to share your proportionate cost. You may not test any new product or service without Franchisor's prior written consent.

All food and other products shall be prepared and packaged strictly in accordance with Franchisor's Standards for product preparation and presentation. This includes, without limitation, using only required or approved ingredients, and strictly complying with Franchisor's recipes, instructions, and techniques when preparing, packaging, and presenting for sale menu items or other products.

Franchisor shall have the right to prescribe, and subsequently vary, one or more menu boards and formats to be utilized in the operation of your Restaurant. The menu boards and formats may include requirements concerning organization, graphics, product descriptions, illustrations, and other matters related to the menu. Prescribed menu boards and formats may vary depending on region, market size, or other factors deemed relevant by Franchisor. If any menu board that you are using ceases to be an authorized menu board and format, you shall have a reasonable period of time (not to exceed six months) to discontinue use of the old menu board and format and begin using an authorized menu board and format.

### **D. Computer Systems and Intranet/Extranet Systems**

You shall acquire and use all cash registers, computer hardware and related accessories, and peripheral equipment ("Computer Systems") that Franchisor prescribes for use by Restaurants, and may not use any cash registers or computer hardware, accessories, or peripheral equipment that Franchisor has not approved for use by Restaurants. Requirements may include, among other things, point-of-sale systems, digital menu boards, audio and video equipment, subscriptions and systems, security systems, connection to remote servers, off-site electronic repositories, and high speed Internet connections and service.

You shall at all times ensure that your Computer System is properly maintain, upgraded and functioning, in accordance with the then-current Standards. You shall enter into all software license agreements, "terms of use" agreements, and software maintenance agreements that Franchisor designates, on terms and conditions that Franchisor has approved, and pay all fees charged by third party software and software service providers thereunder. Franchisor reserves the right to pay any fees incurred for your Restaurant to the applicable third-

party vendor directly and invoice you for those costs. In addition, Franchisor has the right to charge, and you agree to pay, a technology fee in an amount determined by Franchisor from time to time.

You acknowledge that Franchisor may independently access from a remote location, at any time, all information input to, and compiled by, your Computer System or an off-site server, including information concerning Gross Sales, purchase orders, inventory and expenditures. At Franchisor's request, you agree to sign a release with any vendor of your Computer System, providing Franchisor with such access to the Computer System as Franchisor may request from time to time, in order to monitor or collect financial information and any other information Franchisor may periodically require.

You acknowledge that technology is ever changing and that, as technology or software is developed in the future, Franchisor may, in its sole discretion, require you to: (1) add to your Computer System memory, ports, and other accessories or peripheral equipment, or additional, new, or substitute software; (2) replace, update or upgrade your Computer System, including but not limited to computer hardware components and software applications as Franchisor prescribes, but not to exceed three times per calendar year.

To ensure full operational efficiency, you agree to keep your Computer System in good maintenance and repair and to make additions, changes, modifications, substitutions, and replacements to your computer hardware, accessories and peripherals, software, telephone and power lines, high speed Internet connections, and other computer-related facilities as directed by Franchisor.

Franchisor may, at its option, establish and maintain an any website, domain name, email address, social media account, user name, other online presence or presence on any electronic medium of any kind (each an "Online Presence") through which members of the FUZZY'S TACO SHOP® franchise network may communicate, and through which Franchisor may disseminate updates to the Manual and other Confidential Information (as defined on Attachment A). Franchisor will have no obligation to establish or to maintain such Online Presence indefinitely, and may dismantle it at any time without liability to you. Franchisor may establish policies and procedures for any Online Presence's use. You acknowledge that, as administrator of any such Online Presence, Franchisor can access and view any communication that anyone posts on such Online Presence. You further acknowledge that any such Online Presence and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that you or any other individual may assert. If you fail to pay when due any amount payable to Franchisor under this Agreement, or if you fail to comply with any policy or procedure governing any such Online Presence, Franchisor may suspend your access to any such Online Presence until you fully cure the breach.

#### **E. Non-Cash Payment Systems**

Within a reasonable period of time following Franchisor's request, you shall accept debit cards, credit cards, stored value cards, or other non-cash systems specified by Franchisor to enable customers to purchase authorized products, and you shall obtain all necessary hardware and/or software used in connection with these non-cash systems, which shall constitute part of the Computer System.

#### **F. Franchisor Inspections**

Franchisor or its designees shall have the right at any reasonable time and without prior notice to you to: (1) enter and inspect your Restaurant; (2) observe, photograph, and record the operation of your Restaurant for such consecutive or intermittent periods as Franchisor deems necessary; (3) remove samples of any food and beverage product, material, or other products for testing and analysis (without paying for the samples); (4) speak with Restaurant personnel; (5) speak with customers and/or employees; (6) inspect your Computer System, including hardware, software, security, configurations, connectivity, and data access; and (7) and (6) inspect and copy any books, records, and documents relating to the operation of the Franchised Business or, upon request of Franchisor or its designee, require you to send copies thereof to Franchisor or its designee. You shall present to your customers those evaluation forms as are periodically prescribed by Franchisor and shall participate and/or ask your customers to participate in any surveys as Franchisor may direct.

You agree to cooperate fully with Franchisor or its designee in connection with any such inspection, observations, recordings, product removal, and interviews. You shall take all necessary steps to immediately correct any deficiencies detected during these inspections including, without limitation, ceasing further sales of unauthorized menu items and ceasing further use of any equipment, advertising materials, or supplies that do not conform with the Standards. Franchisor shall have the right to develop and implement a grading system for inspections and, to the extent such a system is implemented, if your Restaurant fails to achieve a passing score on any inspection, Franchisor may require your Key Personnel (as defined in [Section 11.I](#)) and other Restaurant personnel to attend and participate in such additional training as Franchisor deems appropriate.

These inspections may take the forms of [quality operations](#) assurance audits and mystery shops. To the extent Franchisor engages a third party service for conducting [quality operations](#) assurance audits and mystery shops, you must reimburse Franchisor its actual costs incurred in connection with inspections and mystery shops conducted at your Restaurant. At Franchisor's request, Franchisor may require you to pay these amounts directly to the applicable services provider.

If Franchisor determines after any inspection of your Restaurant that one or more failures of the Standards exist, or any circumstance exists that prevent Franchisor or its designated representatives from properly inspecting your Restaurant (including your refusing entry to the Approved Location), Franchisor may re-inspect your Restaurant one or more times thereafter to evaluate whether such failures have been cured and/or conduct any other follow-up review that Franchisor deems is necessary, and you will reimburse all of Franchisor's costs associated with the failed audit and/or such re-inspections and follow-up visits, including supplier fees, travel expenses, room and board, and compensation of our employees. These remedies are in addition to Franchisor's other remedies and rights under this Agreement and applicable law.

#### **G. Upkeep of your Restaurant**

You shall continuously operate your Restaurant and shall, at all times and at your sole expense, maintain in first class condition and repair (subject to normal wear and tear), in good working order, in accordance with the requirements of the System, in compliance with all applicable laws and regulations, and meeting the highest standards of professionalism, cleanliness, sanitation, efficient, courteous service and pleasant ambiance. You shall promptly and diligently perform all necessary maintenance, repairs, and replacements to your Restaurant in accordance with the Standards, including periodic interior painting and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment, and décor.

#### **H. Restaurant Operations**

Beginning on the [Actual](#) Opening Date, for the duration of the entire term of this Agreement, you agree to operate your Restaurant on a continuous basis in accordance with the terms of this Agreement, which may include minimum business hours and/or days of operation for your Restaurant, subject to applicable lease and/or local law or licensing limitations. You may not abandon your Restaurant, close your Restaurant for business, or operate your Restaurant for less than the minimum business hours and/or days of operation that Franchisor specifies from time to time, except with Franchisor's prior written consent. You shall operate and maintain your Restaurant in conformity with the highest ethical standards and sound business practices and in a manner which will enhance the goodwill associated with the System.

#### **I. Management and Personnel**

You shall employ a sufficient number of qualified, competent individuals to satisfy the demand for products and services offered by the Franchised Business. You shall hire all employees of the Franchised Business, and be exclusively responsible for the terms of their employment and compensation, and for the proper training of such employees in the operation of your Restaurant. However, to preserve the goodwill associated with the System, Franchisor may from time to time issue minimum criteria for your employees, including by requiring employees to comply with the dress attire and personal appearance and hygiene standards set forth in the Manual. You further agree to use best efforts to ensure that your employees render competent and courteous service to all customers and are courteous and respectful to fellow employees.

Franchisor requires all key management level employees (“Key Personnel”) to sign a Confidentiality Agreement and Non-Competition Agreement substantially in the form set forth in Attachment D-2 to this Agreement. You must identify all Key Personnel on Attachment C, and update Attachment C periodically to reflect changes in your Key Personnel. Franchisor also reserves the right to require that any other employee, agent or independent contractor that have access to Confidential Information, execute a non-disclosure and non-competition agreement in a form Franchisor approves, and to be a third party beneficiary of those agreements with independent enforcement rights. You acknowledge that any form of non-disclosure and non-competition agreement that Franchisor requires you to use, provide to you, or regulate the terms of may or may not be enforceable in a particular jurisdiction. You agree that you are solely responsible for obtaining your own professional advice with respect to the adequacy of the terms and provisions of any confidentiality and non-compete agreement that your employees, agents and independent contractors sign.

## **J. Designated Manager**

You are solely responsible for the management, direction and control of your Restaurant. ~~However, you (or your Principal Owner) and~~ and may elect not to supervise your Restaurant on a full-time basis, ~~provided that you.~~ You must designate and retain an individual who has met all of the qualifications listed below to supervise your Restaurant on a full-time basis (your “Designated Manager”). You agree that the Designated Manager is authorized to deal with Franchisor (and its Affiliates) on your behalf for all matters that may arise with respect to this Agreement. Any decision made by the Designated Manager will be final and binding on you, and Franchisor (and its Affiliates) will be entitled to rely solely on the decision of the Designated Manager without discussing the matter with any other party. Franchisor (and its Affiliates) will not be held liable for any actions based on any decision or actions of the Designated Manager. The Designated Manager as of the date of this Agreement is identified in Attachment C to this Agreement. Any change in the Designated Manager requires prior written consent of Franchisor. Unless waived in writing by Franchisor, the Designated Manager shall meet all of the following qualifications:

(1) He or she, ~~at all times, shall have full control over the day to day activities and operations of the Franchised Business and shall devote full time and best efforts to supervising the operation of your Restaurant and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment;~~

~~(3) He or she shall successfully complete the initial training program and any additional training required by Franchisor; and~~

(4) He or she shall meet all of Franchisor’s then-current Standards for such position.

~~If the Designated Manager ceases to serve in, or no longer qualifies for such position, you (or your Principal Owner) must immediately assume the full time responsibilities of operating the Restaurant pursuant to the terms of this Agreement, until such time as Franchisor approves another qualified person to serve as your Designated Manager. Your proposed replacement Designated Manager must successfully complete the initial training program and execute a Confidentiality and Noncompete Agreement in the form prescribed by Franchisor before assuming Designated Manager responsibilities.~~

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## **K. Signs and Logos**

Subject to any applicable local ordinances, you shall prominently display at your Restaurant and Approved Location such interior and exterior signs, logos, and advertising of such nature, form, color, number, location, and size, and containing the content and information that Franchisor may from time to time direct. You shall not display in or about your Restaurant or Approved Location or otherwise in connection with the Proprietary Marks any unauthorized sign, logo, or advertising media of any kind.

#### **L. Entertainment Equipment**

You shall not permit to be installed at your Restaurant premises any juke box, vending or game machine, gum machine, game, ride, gambling or lottery device, coin or token operated machine, or any other music, film, or video device not authorized by Franchisor.

#### **M. Compliance with Laws and Good Business Practices**

You shall secure and maintain in full force in your name all required licenses, permits, and certifications relating to the operation of the Franchised Business. You shall operate the Franchised Business in full compliance with all applicable laws, ordinances, and regulations including, without limitation, all laws or regulations governing or relating to the handling of food products, immigration and discrimination, occupational hazards, employment laws (including, without limitation, workers' compensation insurance, unemployment insurance, and the withholding and payment of federal and state income taxes and social security taxes) and the payment of sales taxes. In all dealings with your Restaurant's customers, suppliers, and the public, you shall adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You shall refrain from any business or advertising practices that may be injurious to the good will associated with the business of Franchisor or its Affiliates, the System, or other System franchisees.

You shall notify Franchisor in writing within: (1) five days after the commencement of any action, suit, or proceeding, or the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect in any way the operation of your Restaurant or your financial condition; (2) 24 hours of your receipt of any notice of violation of any law, ordinance, regulation, or standard relating to health, sanitation, or safety at your Restaurant, or (3) two days of receipt of any other notice from any person, entity or governmental authority claiming that you (or your affiliates or representatives) have violated any laws, regulations, permits, licenses, intellectual property rights, agreements or other committed any other breach, default or violation in connection with your operation of the Restaurant, including any default notices from any landlord or supplier, any customer complaints alleging violations or law, and any notice from a third-party of intellectual property infringement. All such notices to Franchisor shall include a copy of all notices, reports, demands, court documents, or other related documents.

If any applicable laws, ordinances or regulations require you to alter the operations of your Restaurant and/or conflict with the requirements imposed as Standards, you agree to promptly notify Franchisor; and if any such laws, ordinances or regulations are lifted, you agree to promptly begin to operate your Restaurant in full compliance with the Standards.

#### **N. Payment of Taxes and Other Indebtedness**

You shall promptly pay, when due, all taxes levied or assessed by any federal, state, or local tax authority and any and all other indebtedness incurred by you in the operation of the Franchised Business. In the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; provided, however, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Restaurant, Approved Location, or the Franchised Business or any improvements thereon.

#### **O. Information Security.**

You must implement all administrative, physical and technical safeguards that Franchisor requires to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information ("Personal Information"). **NO ASSISTANCE, GUIDANCE, STANDARDS OR REQUIREMENTS THAT FRANCHISOR PROVIDES YOU CONSTITUTE A REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, THAT YOUR FRANCHISED BUSINESS IS COMPLIANT WITH FEDERAL, STATE, OR LOCAL PRIVACY AND DATA LAWS, CODES, OR**

**REGULATIONS, OR ACCEPTABLE INDUSTRY STANDARDS. IT IS YOUR RESPONSIBILITY TO CONFIRM THAT THE SAFEGUARDS YOU USE TO PROTECT PERSONAL INFORMATION COMPLY WITH ALL LAWS AND INDUSTRY BEST PRACTICES RELATED TO COLLECTION, ACCESS USE, STORAGE, DISPOSAL AND DISCLOSURE OF PERSONAL INFORMATION.**

If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify Franchisor immediately and specify the extent to which Personal Information was compromised or disclosed. You also agree to follow Franchisor's instructions regarding curative actions and public statements relating to the breach. Franchisor may conduct a data security and privacy audit of your Restaurant and your Computer System at any time, from time to time, to ensure that you are complying with Franchisor's requirements for handling Personal Information. The cost of such audit shall be paid by you. You agree to cooperate with Franchisor fully during the course of this audit.

You also agree to comply with Franchisor's online privacy policy, as it may be modified from time to time, including by returning or deleting Personal Information upon request, whether requested by Franchisor or directly by the consumer, and/or as required by applicable data sharing and privacy laws.

**P. Rights to Contact Information.**

You agree that, as between Franchisor and you, Franchisor reserves the right to all telephone numbers, fax numbers, online listings, and/or any other type of contact information or directory listing for your Restaurant or that you use in the operation or promotion of your Restaurant (collectively, the "Contact Information") and all Online Presences identifying your Restaurant or that you use in the operation or promotion of your Restaurant. The Contact Information may be used only for your Restaurant in accordance with this Agreement and the Standards and for no other purpose. Franchisor may notify any telephone company, listing agencies, website hosting company, domain registrar, social network, and any other third-party owning or controlling any Contact Information, if any information relating to your Restaurant is inaccurate or violates the Standards, and request that they modify such Contact Information, and/or remove such Contact Information until it can be corrected.

**12. Organization of the Franchisee**

**A. Representations**

If you are a Business Entity (as defined on Attachment A), you make the following representations and warranties: (1) the Business Entity is duly organized and validly existing under the laws of the state of its formation; (2) it is qualified to do business in the state or states in which your Restaurant is located; (3) execution of this Agreement and the development and operation of your Restaurant is permitted by its governing documents; (4) its charter documents and its governing documents shall at all times provide that the activities of the Business Entity are limited exclusively to the development and operation of a single Restaurant; and (5) neither you nor any of your employees, agents, representatives, or any other person or entity associated with you has ever been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism, (ii) owned or controlled by terrorists or sponsors of terrorism, (iii) not been in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, (iv) provided Franchisor any funds that were not legally obtained in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, (v) listed on the U.S. Treasury Department's List of Specially Designated Nationals, the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders, the U.S. State Department's Debarred List or Nonproliferation Sanctions, or the Annex to U.S. Executive Order 13224.

If you are an individual, or a partnership comprised solely of individuals, you make the following additional representations and warranties: (1) each individual has executed this Agreement; (2) each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; (3) notwithstanding any transfer for convenience of ownership pursuant to Section 17 of this Agreement, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every

provision of this Agreement; and (4) neither you nor any of your employees, agents, representatives, or any other person or entity associated with you has ever been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism, (ii) owned or controlled by terrorists or sponsors of terrorism, (iii) not been in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, (iv) provided Franchisor any funds that were not legally obtained in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, (v) listed on the U.S. Treasury Department's List of Specially Designated Nationals, the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders, the U.S. State Department's Debarred List or Nonproliferation Sanctions, or the Annex to U.S. Executive Order 13224.

## **B. Governing Documents**

If you are a corporation, copies of your Articles of Incorporation, bylaws, other governing documents, and any amendments, including the resolution of the Board of Directors authorizing entry into and performance of this Agreement, and all shareholder agreements, including buy/sell agreements, must be furnished to Franchisor. If you are a limited liability company, copies of your Articles of Organization, operating agreement, other governing documents and any amendments, including the resolution of the Managers authorizing entry into and performance of this Agreement, and all agreements, including buy/sell agreements, among the members must be furnished to Franchisor. If you are a general or limited partnership, copies of your written partnership agreement, other governing documents and any amendments, as well as all agreements, including buy/sell agreements, among the partners must be furnished to Franchisor, in addition to evidence of consent or approval of the entry into and performance of this Agreement by the requisite number or percentage of partners, if that approval or consent is required by your written partnership agreement or applicable law. When any of these governing documents are modified or changed, you must promptly provide copies of the modifying documents to Franchisor.

## **C. Ownership Interests**

If you are a Business Entity, you represent that all of your equity interests are owned as set forth on Attachment C to this Agreement. In addition, if you are a corporation, you shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of the corporation (and the number of shares owned by each). If you are a limited liability company, you shall maintain a current list of all members (and the percentage membership interest of each member). If you are a partnership, you shall maintain a current list of all owners of an interest in the partnership (and the percentage ownership interest of each general and limited partner). You shall comply with Section 17 of this Agreement prior to any change in ownership interests and shall execute any necessary addenda to Attachment C as changes occur in order to ensure the information contained in Attachment C is true, accurate, and complete at all times.

## **D. Restrictive Legend**

If you are a corporation, you shall maintain stop-transfer instructions against the transfer on your records of any voting securities, and each stock certificate of the corporation shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of this stock is subject to the restrictions imposed on assignment by the FUZZY'S TACO SHOP® Franchise Agreement(s) to which the corporation is a party." If you are a limited liability company, each membership or management certificate or other evidence of interest in the limited liability company shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of an interest in this limited liability company is subject to the restrictions imposed on assignment by THE FUZZY'S TACO SHOP® Franchise Agreement(s) to which the limited liability company is a party." If you are a partnership, your written partnership agreement shall provide that ownership of an interest in the partnership is held subject to, and that further assignment or transfer is subject to, all restrictions imposed on assignment by this Agreement.

## **E. Guarantees**

If you are a Business Entity, each Owner (and if you are a limited partnership, each of your general partner's Owners) shall execute the Personal Undertaking and Guaranty attached hereto as Attachment D-1.

## **F. Principal Owner**

~~———— If you are a Business Entity, you must identify one of your owners on Attachment C who is a natural person with at least a twenty five percent (25%) ownership interest and voting power in you to act as your "Principal Owner". Franchisor reserves the right to approve the person who will act as your Principal Owner. In the event that your Principal Owner ceases to own at least a twenty five percent (25%) interest in you, Franchisor disapproves of your Principal Owner, or your Principal Owner dies or becomes incapacitated, you must recruit a new Principal Owner within thirty (30) days. You must deliver to Franchisor all information that Franchisor may request in connection with reviewing and approving the person you recruit as your new Principal Owner.~~

~~You agree that the Principal Owner is authorized to deal with Franchisor (and its Affiliates) on your behalf for all matters that may arise with respect to this Agreement. Any decision made by the Principal Owner will be final and binding on you, and Franchisor (and its Affiliates) will be entitled to rely solely on the decision of the Principal Owner without discussing the matter with any other party. Franchisor (and its Affiliates) will not be held liable for any actions based on any decision or actions of the Principal Owner.~~

## **13. Proprietary Marks and Copyrighted Works**

### **A. Acknowledgments**

You expressly understand and acknowledge that: (1) an Affiliate of Franchisor ("IP Owner") is the exclusive owner of all right, title, and interest in and to the Proprietary Marks (and all goodwill symbolized by them) and the Copyrighted Works; (2) the Proprietary Marks are valid and serve to identify the System and those who are licensed to operate a Franchised Business in accordance with the System; (3) your use of the Proprietary Marks and Copyrighted Works pursuant to this Agreement does not give you any ownership interest or other interest in or to them, except the nonexclusive license to use them in accordance with this Agreement and the Standards; (4) any and all goodwill arising from your use of the Proprietary Marks and the Copyrighted Works shall inure solely and exclusively to Franchisor's and/or IP Owner's benefit, and upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the Proprietary Marks or the Copyrighted Works; (5) the license and rights to use the Proprietary Marks and Copyrighted Works granted hereunder to you are nonexclusive; (6) Franchisor may itself use, and grant franchises and licenses to others to use, the Proprietary Marks and the Copyrighted Works; (7) Franchisor may establish, develop and franchise other systems, different from the System licensed to you herein, without offering or providing you any rights in, to, or under such other systems; and (8) Franchisor may add to, eliminate, modify, supplement, or otherwise change, in whole or in part, any aspect of the Proprietary Marks and the Copyrighted Works.

### **B. Modification of the Proprietary Marks and Copyrighted Works**

Franchisor reserves the right to add to, eliminate, modify, supplement, or otherwise change any of the Proprietary Marks and Copyrighted Works, in whole or in part. You must promptly take all actions necessary to adopt all new and modified Proprietary Marks and/or Copyrighted Works and discontinue using obsolete Proprietary Marks and/or Copyrighted Works which may include, among other things, acquiring and installing, at your expense, new interior and exterior signage and graphics.

### **C. Use of the Proprietary Marks and Copyrighted Works**

You shall use only the Proprietary Marks and Copyrighted Works designated by Franchisor and shall use them only in connection with the operation and promotion of the Franchised Business and in the manner required or authorized and permitted by Franchisor. Your right to use the Proprietary Marks and Copyrighted Works is limited to the uses authorized under this Agreement and in the Manual, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights and grounds for termination of this Agreement.

You shall not use the Proprietary Marks for any of the following purposes: (1) as part of your Business Entity or other legal name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols, (3) in selling any unauthorized services or products; (4) in advertising the transfer, sale, or other disposition of your Restaurant or an ownership interest in you; or (5) in any other manner that Franchisor has not expressly authorized in writing. You shall comply with all requirements of Franchisor's and applicable state and local laws concerning use and registration of fictitious and assumed names, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Proprietary Marks or the Copyrighted Material, or to maintain their continued validity and enforceability.

#### **D. Online Presences**

You may not cause or allow all or any recognizable portion of the Proprietary Marks to be used or displayed as all or part of any Online Presence without Franchisor's express written consent, and then only in a manner and in accordance with the Standards.

#### **E. Assignment of Rights**

To the extent that you, your Designated Manager, any Key Personnel, any other employees, independent contractors, or personnel, or any Owner creates any concepts, processes, or improvements relating to the System, or derivative work based on the Proprietary Marks or Copyrighted Works ("Derivative Works"), you must promptly disclose such Derivative Works to Franchisor and the Derivative Works will be Franchisor's sole and exclusive property, part of the System, and works made-for-hire for Franchisor. If requested by Franchisor, you on your behalf (and on behalf of any applicable Owner) hereby permanently and irrevocably assign to Franchisor all rights, interests, and ownership (including intellectual property rights and interests) in and to the Derivative Works, and agree to execute such further assignments as Franchisor may request, and take whatever other actions are requested by Franchisor to assign all rights and title to such Derivative Works to Franchisor. The term "Derivative Works" shall be interpreted to include, without limitation: any and all of the following which is developed by you, or on your behalf, if developed in whole or in part in connection with your Franchised Business or Restaurant: all products or services; all variations, modifications and/or improvements on products or services; your means, manner and style of offering and selling products and services; management techniques or protocols you may develop (or have developed on your behalf); all sales, marketing, advertising, and promotional programs, campaigns, or materials developed by you or on your behalf; and, all other intellectual property developed by you or on behalf of your Franchised Business or Restaurant.

Franchisor may authorize itself, its Affiliates, and other franchised Restaurants to use and exploit any such rights assigned by this Section 13.E. The sole consideration for your assignment to Franchisor of the foregoing rights shall be Franchisor's grant of the Franchise conferred to you under this Agreement. You and each Owner shall take all actions and sign all documents necessary to give effect to the purpose and intent of this Section 13.E. You and each Owner irrevocably appoint Franchisor as true and lawful attorney-in-fact for you and each Owner, and authorize Franchisor to take such actions and to execute, acknowledge, and deliver all such documents as may from time to time be necessary to convey to Franchisor all rights granted herein.

#### **F. Infringement; Notice of Claims**

If you become aware of any infringement of the Proprietary Marks or Copyrighted Works or if your use of the Proprietary Marks or Copyrighted Works is challenged by a third party, then you must immediately notify Franchisor. Franchisor shall have the exclusive right to take whatever action it deems appropriate. If Franchisor or its Affiliate undertakes the defense or prosecution of any litigation pertaining to any of the Proprietary Marks, Copyrighted Works or other intellectual property, you must sign all documents and perform such acts and things as may, in the opinion of Franchisor's counsel, be necessary to carry out such defense or prosecution. If it becomes advisable at any time in the sole discretion of Franchisor to modify or discontinue the use of any Proprietary Mark or Copyrighted Works, or to substitute a new mark or graphic for any Proprietary Mark or Copyrighted Work, as applicable, you must promptly comply, at your expense (which may include the cost of replacement signage and/or trade dress), with such modifications, discontinuances, or substitutions.

## **G. Remedies and Enforcement**

You acknowledge that in addition to any remedies available to Franchisor under this Agreement, you agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, a temporary restraining order and/or an injunction against violation of the provisions of this Section 13.

### **14. Confidentiality obligations and restrictive covenants**

#### **A. Confidential Information**

You and each Owner acknowledge that all Confidential Information belongs exclusively to Franchisor. You and each Owner agree to use and permit the use of the Confidential Information only in connection with the operation of your Franchised Business, to maintain the confidentiality of all Confidential Information, to not duplicate any materials containing Confidential Information. You and each Owner further agree that you will not at any time, during the term of this Agreement or after expiration or earlier termination of this Agreement: (i) divulge any Confidential Information to anyone, except to other franchisees, your employees having a need to know, and your professional advisors having a need to know; (ii) divulge or use any Confidential Information for the benefit of yourself, your Owners, or any third party (including any person, business entity, or enterprise of any type or nature), except in the operation of your Franchised Business, and then only in strict compliance with the Manual and System; or (iii) directly or indirectly imitate, duplicate, or "reverse engineer" any of the Confidential Information, or aid any third party in such actions.

Upon the expiration or earlier termination of this Agreement, you will return to Franchisor all Confidential Information which is then in your possession, including, without limitation, customer lists and records, all training materials and other instructional content, all financial and non-financial books and records, the Manual and any supplements to the Manual, and all computer databases, software, and manual. Franchisor reserves the right, upon its specific written request, to require you to destroy all or certain such Confidential Information and to certify such destruction to Franchisor. You specifically acknowledge that all customer lists or information adduced by your Franchised Business is not your property, but is Franchisor's property, and you further agree to never contend otherwise.

You shall cause your Designated Manager and any employee with access to Confidential Information, including information contained in the Manual, to sign a confidentiality agreement in a form prescribed by Franchisor, which identifies Franchisor as a third-party beneficiary of such agreement and gives Franchisor independent rights of enforcement.

The provisions of this Section 14.A will survive expiration or termination of this Agreement.

#### **B. Covenants of the Franchisee**

You acknowledge that you and your Owners will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques and trade secrets of Franchisor and the System.

You covenant and agree that during the term of this Agreement, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or legal entity (and will cause your direct and indirect Owners and your and their spouses and immediate family members not to):

(a) Divert or attempt to divert any present or prospective customer of any Restaurant to any Competitive Business (as defined on Attachment A), by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is harmful, injurious, or prejudicial to the goodwill associated with the System; or

(b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, lease or license any properties or assets to, or have any interest in (as owner or otherwise) or relationship or association with, any Competitive Business, at any location within the

United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of, or registered the Proprietary Marks or similar marks, or have operated or licensed others to operate a business under the System or the Proprietary Marks or similar marks; provided that such restriction shall not apply to less than a 5% beneficial interest in any publicly traded corporation.

You further covenant and agree that for a two-year continuous and uninterrupted period (which shall be tolled during any period of noncompliance) commencing upon expiration or termination of this Agreement, regardless of the reason for termination, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, or legal entity (and will cause your direct and indirect Owners and your and their spouses and immediate family members not to):

(a) Divert or attempt to divert any present or prospective customer of any Restaurant to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is harmful, injurious, or prejudicial to the goodwill associated with the System; or

(b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, lease or license any properties or assets to, or have any interest in (as owner or otherwise) or relationship or association with, any Competitive Business, at any location that (i) is, or is intended to be, located at the location of any former Restaurant; (ii) is within a 5-mile radius of your former Approved Location; or (iii) is within a 5-mile radius of any other Restaurant operating under the System in existence or under development at the time of such termination or transfer.

### **C. Covenants of the Franchisee's Owners**

During the term of this Agreement, each of your Owners will not, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, or legal entity (and will cause its spouses and immediate family members not to):

(a) Divert or attempt to divert any present or prospective customer of any Restaurant to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is harmful, injurious, or prejudicial to the goodwill associated with the System; or

(b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, lease or license any properties or assets to, or have any interest in (as owner or otherwise) or relationship or association with, any Competitive Business, at any location within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of, or registered the Proprietary Marks or similar marks, or have operated or licensed others to operate a business under the System or the Proprietary Marks or similar marks; provided that such restriction shall not apply to less than a 5% beneficial interest in any publicly traded corporation.

For a two-year continuous and uninterrupted period (which shall be tolled during any period of noncompliance) commencing upon the earlier of (i) expiration or termination of this Agreement, regardless of the cause for termination, (ii) dissolution of the franchisee entity, or (iii) the transfer or redemption of an Owner's interest in the franchisee entity, each of your Owners will not, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, or legal entity (and will cause its spouses and immediate family members not to):

(a) Divert or attempt to divert any present or prospective customer of any Restaurant to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is harmful, injurious, or prejudicial to the goodwill associated with the System; or

(b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, lease or license any properties or assets to, or have any interest in (as owner or otherwise) or relationship or association with, any Competitive Business, at any location that (i) is, or is intended to be, located at the location of any former Restaurant; (ii) is within a 5-mile radius of your former Approved Location; or (iii) is within a 5-mile radius of any other Restaurant operating under the System in existence or under development at the time of such termination or transfer.

At Franchisor's request, each Owner shall execute a separate agreement containing the terms contained in this [Section 14.C](#).

#### **D. Non-Disparagement.**

During and after the term of this Agreement, you and your Owners agree not to (and to use your best efforts to cause your current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, Affiliates, successors and assigns not to) (i) disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor, Franchisor's Affiliates, any of Franchisor's or Franchisor's Affiliates' directors, officers, employees, representatives or Affiliates, the FUZZY'S TACO SHOP® brand, the System, any Restaurant, any business using the Proprietary Marks, or (ii) take any other action which would, directly or indirectly, subject the FUZZY'S TACO SHOP® brand to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of Franchisor in any or all of the System or the FUZZY'S TACO SHOP® brand, or which would constitute an act of moral turpitude. The provisions of this [Section 14.D](#) will survive expiration or termination of this Agreement.

#### **E. Reformation and Reduction of Scope of Covenants**

If all or any portion of any covenant contained in this [Section 14](#) is held to be unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor or its Affiliate is a party, you and the Owners will be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this [Section 14](#). Notwithstanding the foregoing, Franchisor has the unilateral right, in its sole and absolute discretion, to reduce the scope of any covenant set forth in this [Section 14](#), or any portion thereof, which reduction will become effective immediately upon delivery of notice of the reduction.

#### **F. Acknowledgments**

The parties and each Owner acknowledge and agree that any claims that you or such Owner may have or allege to have against Franchisor shall not constitute a defense to the enforcement of any covenant contained in this [Section 14](#).

#### **G. No Undue Hardship**

You and each Owner acknowledge and agree that the covenants set forth in this [Section 14](#) are fair and reasonable. You acknowledge and agree that such covenants will not impose any undue hardship on you and that you have other considerable skills, experience, and education affording you the opportunity to derive income from other endeavors. Each Owner acknowledges and agrees that such covenants will not impose any undue hardship on him or her, and that each has other considerable skills, experience, and education affording him or her the opportunity to derive income from other endeavors.

#### **H. Injunctive Relief**

You and each Owner acknowledge that the violation of any covenant contained in this [Section 14](#) would result in immediate and irreparable injury to Franchisor for which there is no adequate remedy at law. The parties acknowledge and agree that, in the event of a violation of any covenant contained in this [Section 14](#), Franchisor shall be entitled to seek injunctive relief to restrain such violation in accordance with the usual equity principles. The party in violation of any foregoing covenant shall reimburse Franchisor for any costs that it incurs (including attorneys' fees) in connection with enforcement of the provisions contained in this [Section 14](#).

## **15. Brand Development; Marketing**

### **A. General Requirements**

All of your promotional and marketing materials shall be clear, factual and not misleading, presented in a dignified manner, and shall conform to the Standards, and to the highest standards of ethical advertising. You shall submit to Franchisor samples of proposed promotional and marketing materials, and notify Franchisor of the intended media, before first publication or use. You may not use any advertising materials until Franchisor has approved them. Franchisor will use good faith efforts to approve or disapprove proposed promotional and marketing materials within 10 business days after receipt. You may not use the promotional or marketing materials until Franchisor expressly approves the materials and the proposed media. Once approved, you may use the materials only in connection with the media for which they were approved. Franchisor may disapprove your promotional or marketing materials, or the media for which they were approved, at any time, and you must discontinue using any disapproved materials or media upon your receipt of written notice of disapproval. You must also list your Restaurant with the directories and subscriptions Franchisor periodically prescribes and/or establish any other Online Presence Franchisor requires or authorizes.

### **B. Grand Opening Advertising**

You agree to pay Franchisor the Grand Opening Advertising Amount specified on the Summary Page in accordance with the Standards to promote the opening of your Restaurant. Franchisor will spend such amounts to promote your Restaurant. Franchisor will employ the strategies and expenditures it deems appropriate for your grand opening advertising program, in its sole discretion. You must pay Franchisor the Grand Opening Advertising Amount at the time you sign your Franchise Agreement.

### **C. Development Fund**

Each month during the term of this Agreement, you shall contribute an amount equal to 2% of weekly Gross Sales to Franchisor's national brand development fund (the "Development Fund"). Franchisor has the right to use Development Fund monies, in its sole discretion, to pay for creative development services (including creation and modification of logos, menu design, graphics, and vehicle wraps); preparing or procuring market studies; providing or obtaining marketing services (including conducting customer surveys, focus groups, mystery shops, customer interviews, and marketing consultants); developing, producing, distributing, and placing advertising (including developing and producing point-of-sale advertising and promotional materials); administering print, mail or online advertising and marketing campaigns; developing product packaging; developing, updating, and hosting Franchisor's web site (including development of interior pages featuring franchised and company or Affiliate-owned Restaurants and developing locator programs), any software applications or mobile applications and/or an intranet or extranet system; engaging third-parties to provide services to franchisees (including marketing, promotional, and administrative support); obtaining sponsorships and endorsements and hosting franchisee meetings; preparing and conducting sweepstakes, contests, and other prize promotions; making charitable donations; and providing and procuring public relations services and conducting public relations activities. Franchisor also may use Development Fund monies to reimburse itself for its costs of personnel and other administrative and overhead costs associated with providing the services described in this [Section 15.C](#).

The parties acknowledge that Franchisor owns all rights, and retains all copyrights, in all design and content developed using Development Fund monies, and that Franchisor will have sole control over the creative concepts, content, form, and media placement of all advertising and promotional materials developed with Development Fund monies, and the allocations of Development Fund monies to production, placement, and other costs. Franchisor will own all copyright in any works created using Development Fund monies. You acknowledge and agree that Franchisor is not obligated to expend Development Fund monies for placement of advertising in your trading area, or to ensure that the Franchised Business benefits directly or *pro rata* from the expenditure of Development Fund monies. Franchisor will not use Development Fund monies for creating or placing any advertisement that is principally a solicitation for new franchisees, but may include in all advertising prepared using Fund monies (including Internet advertising) information concerning franchise opportunities, and

a portion of Fund monies may be used to create and maintain one or more pages on Franchisor's web site devoted to advertising franchise opportunities and identifying and screening inquiries and applications submitted by franchise candidates. Development Fund contributions are not held in trust. Franchisor has no fiduciary duty to you or to any Owner or to any other person with respect to the collection or expenditure of Development Fund monies. Upon your reasonable request, Franchisor will provide you an unaudited annual statement of Development Fund contributions and expenditures in the previous fiscal year, within 120 days after the end of such fiscal year, if you operated as a franchisee during that fiscal year.

Franchisor may terminate the Development Fund at any time. If the Development Fund is terminated, all unspent monies will be spent by Franchisor in accordance with this [Section 15.C](#) or returned to the contributors of the Development Fund on the proportional basis of their respective contributions. Any amounts contributed to the Development Fund that are not spent in the year they are collected will remain in the Development Fund for future expenditures.

#### **D. Advertising Cooperatives**

Franchisor may, from time to time, form a cooperative group of Restaurants to facilitate marketing and advertising placement in a particular geographic area ("Advertising Cooperative"). Any Advertising Cooperative established by Franchisor will be operated solely as a conduit for the collection and expenditure of Advertising Cooperative fees to pay for the development, placement, and distribution of advertising for the benefit of Restaurants located in the geographic region served by that Advertising Cooperative.

If Franchisor forms an Advertising Cooperative for the region in which your Restaurant is located, you agree to participate in the Advertising Cooperative pursuant to the terms of this [Section 15.D](#).

Franchisor shall have the exclusive right to create, dissolve, and merge each Advertising Cooperative created, in its discretion, and to create and amend the organizational and governing documents related thereto, provided that such documents shall: (1) operate by majority vote, with each Restaurant (including each of those owned by Franchisor or its Affiliates) entitled to one vote in the Advertising Cooperative; (2) entitle Franchisor to cast one vote (in addition to any votes to which it may be entitled on account of its operation of Restaurants in the area served by the Advertising Cooperative); (3) permit the members of the Advertising Cooperative, by majority vote, to determine the amount of required contributions; (4) require the members of the Advertising Cooperative and their elected officers to be responsible for administering and operating the Advertising Cooperative, (5) require the Advertising Cooperative to have an independent certified public accountant prepare an annual financial statement, which will be made available to all members of that Advertising Cooperative, and (6) provide that any funds left in the Advertising Cooperative at the time of dissolution shall be returned to the members in proportion to their contributions during the 12-month period immediately preceding termination.

You agree to be bound by all organizational and governing documents created by Franchisor and, at Franchisor's request, shall execute all documents necessary to evidence or affirm your agreement. The Advertising Cooperative shall begin operating on a date determined in advance by Franchisor.

No advertising or promotional plans or materials may be used by the Advertising Cooperative or furnished to its members without Franchisor's prior approval. All advertising plans and materials must conform to the Standards and must be submitted to Franchisor for approval according to the procedures set forth in [Section 15.A](#) of this Agreement.

#### **E. Restrictions on Online Presences**

Except as approved by Franchisor in writing or in the Manual, you may not (1) develop, establish, maintain or authorize any Online Presence that reflects or includes any of the Proprietary Marks or any Copyrighted Works, that otherwise states or suggests your affiliation with FUZZY'S TACO SHOP® or its franchise system, that uses or displays any menu items or collateral merchandise offered at your Restaurant, or that links to any Online Presence owned or maintained by Franchisor, its Affiliates, or any other Restaurant owner, (2) sell any products or services, whether directly or indirectly, through any Online Presence, or (3) engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If

Franchisor approves the use of any such Online Presence in the operation of your Restaurant, you will develop and maintain such Online Presence only in accordance with Franchisor's guidelines, including guidelines for posting any messages or commentary on other third-party websites and/or maintaining an online privacy policy. If Franchisor permits you to operate or maintain such an Online Presence, you acknowledge and agree that such Online Presences will be Franchisor's sole and exclusive property, part of the System, and considered Derivative Works subject to [Section 13.E](#). At Franchisor's request, you agree to grant Franchisor access to each such Online Presence, and to take whatever action (including signing assignment or other documents) Franchisor requests to evidence Franchisor's ownership of such Online Presence, or to help Franchisor obtain exclusive rights in such Online Presence.

## **F. Loyalty Programs, Prize Promotions, and Promotional Literature**

You shall participate in and offer to your customers all customer loyalty and reward programs, and all contests, sweepstakes, and other promotions that Franchisor may develop from time to time. Franchisor will communicate to you in writing the details of each such program and promotion, and you shall promptly display all point-of-sale advertising and promotion-related information at such places within your Restaurant as Franchisor may designate. You shall purchase and distribute all coupons, clothing, toys, and other collateral merchandise (and only the coupons, clothing, toys, and collateral merchandise) designated by Franchisor for use in connection with each such program and promotion.

To the extent that Franchisor develops or authorizes the sale of gift certificates and/or stored value cards, you shall acquire and use all computer software and hardware necessary to process their sale and to process purchases made using them. All proceeds from the sale of all gift certificates and stored value cards belong exclusively to Franchisor, and you shall remit the proceeds of such sales to Franchisor according to the procedures that Franchisor prescribes periodically. Franchisor shall reimburse or credit to you (at Franchisor's option) the redeemed value of gift cards and stored value cards accepted as payment for products and services sold by your Restaurant.

You also shall display at your Restaurant all promotional literature and information as Franchisor may reasonable require from time to time. This may include, among other things, establishing a bulletin board for posting local school and community events and displaying signage or other literature containing information about your Restaurant franchise offering.

You also agree to honor such credit cards, courtesy cards, and other credit devices, programs, and plans as may be issued or approved by Franchisor from time to time. Any reasonable and customary service charges or discounts from reimbursements charged on such cards or authorizations will be at your sole expense.

## **16. Insurance**

### **A. Obligation to Maintain Insurance**

You shall be responsible for all loss or damage arising from or related to your development and operation of the Franchised Business, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the Approved Location of, or in connection with the development or operation of, your Restaurant. You shall maintain in full force and effect throughout the term of this Agreement that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of your Restaurant, including the minimum coverages described in [Section 16.B](#) below. Franchisor, and any entity with an insurable interest designated by Franchisor, shall be an additional named insured in all of your liability policies to the extent each has an insurable interest, using a form of endorsement Franchisor has approved.

### **B. Minimum Insurance Coverage**

All insurance policies shall be written by an insurance company or companies satisfactory to Franchisor, in compliance with the Standards. Such policy or policies shall include, at a minimum, the following types of coverages, with minimum limits prescribed by Franchisor: comprehensive general liability insurance, including broad form contractual liability, liquor liability, personal injury, advertising injury, completed operations,

products liability, and fire damage coverage; “all risks” property insurance and tenant’s liability coverage, including coverage for fire, vandalism, and malicious mischief; personal property coverage; automobile liability coverage for owned and non-owned vehicles; workers’ compensation insurance; spoilage and business interruption insurance; such insurance as may be required by the landlord of your Approved Location; and such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 20.B below. In connection with any construction, renovation, refurbishment, or remodeling of your Restaurant, you also shall maintain Builder’s All Risks insurance, and in connection with new construction or substantial renovation, refurbishment, or remodeling of your Restaurant, you shall maintain performance and completion bonds in forms and amounts, and written by carrier(s), reasonably satisfactory to Franchisor.

Franchisor shall have the right to establish and modify the minimum required coverages and to require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances. All insurance requirements will be communicated to you via insurance bulletins or the Manual. You shall receive written notice of any modifications to the insurance requirements and shall take prompt action to secure the additional coverage or higher policy limits. All such insurance policies shall include a waiver of subrogation in favor of Franchisor and its Affiliates, and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees.

### **C. Insurance Policy Requirements**

The following general requirements apply to each insurance policy you are required to maintain under this Agreement:

- (1) Each insurance policy must be specifically endorsed to provide that the coverage must be primary and that any insurance carried by any additional insured will be excess and non-contributory.
- (2) Each insurance policy for liability coverage must name Franchisor and its Affiliates, and their respective partners, officers, subsidiaries, Affiliates, shareholders, directors, regional directors, agents, and employees as additional named insureds on a primary non-contributory basis on an Additional Insured Grantor of Franchise Endorsement per form CG2029 (or an endorsement form with comparable wording acceptable to Franchisor).
- (3) No insurance policy may contain a provision that in any way limits or reduces coverage for you in the event of a claim by Franchisor or its Affiliates.
- (4) Each insurance policy must extend to, and provide indemnity for, all of your obligations and liabilities to third parties and all other items for which you are required to indemnify Franchisor under this Agreement.
- (5) Each insurance policy must be written by an insurance company that has received and maintains “A” or better rating by the latest edition of Best’s Insurance Rating Service.
- (6) No insurance policy may provide for a deductible amount that exceeds \$5,000, unless otherwise approved in writing by Franchisor, and your co-insurance under any insurance policy must be 80% or greater.

### **D. Delivery of Certificate**

No later than 30 days after this Agreement is executed by Franchisor, and on each policy renewal date thereafter, you shall submit evidence of satisfactory insurance and proof of payment therefore to Franchisor. The evidence of insurance shall include a statement by the issuer that the policy or policies will not be cancelled or materially altered without at least 30 days’ prior written notice to Franchisor. Upon request, you also shall provide to Franchisor copies of all or any policies, and policy amendments and riders.

### **E. Minimum Insurance Requirements Not a Representation of Adequacy**

**YOU ACKNOWLEDGE THAT NO REQUIREMENT FOR INSURANCE CONTAINED IN THE AGREEMENT CONSTITUTES ADVICE OR A REPRESENTATION BY FRANCHISOR THAT**

**ONLY SUCH POLICIES, IN SUCH AMOUNTS, ARE NECESSARY OR ADEQUATE TO PROTECT YOU FROM LOSSES IN CONNECTION WITH YOUR BUSINESS UNDER THIS AGREEMENT. MAINTENANCE OF THIS INSURANCE, AND THE PERFORMANCE OF YOUR OBLIGATIONS UNDER THIS SECTION 16, SHALL NOT RELIEVE YOU OF LIABILITY UNDER THE INDEMNIFICATION PROVISIONS OF THIS AGREEMENT.**

**F. Franchisor’s Right to Procure Insurance**

If you fail to procure or maintain at least the insurance required by this Section 16, as revised from time to time pursuant to the Manual or otherwise in writing, Franchisor shall have the immediate right and authority, but not the obligation, to procure such insurance and charge its cost to you, in which case you shall pay Franchisor, immediately upon demand, reimbursement of all out-of-pocket costs incurred by Franchisor in obtaining such insurance on your behalf plus an administrative fee equal to 10% of the annual premium(s) for all insurance policies obtained by Franchisor on your behalf.

**17. Transfers**

**A. Transfer by Franchisor**

Franchisor may transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor’s obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all of Franchisor’s obligations under this Agreement from the date of assignment. In addition, and without limiting the foregoing, you expressly affirm and agree that Franchisor and/or its Affiliates may sell their assets, the any or all components of the System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. You agree that Franchisor has the right to delegate the performance of any portion or all of its obligations under this Agreement to third party designees, whether these designees are Franchisor’s agents or independent contractors with whom Franchisor has contracted to perform these obligations. If Franchisor does so, such third-party designees must perform the delegated functions in compliance with this Agreement.

**B. Transfer by Franchisee**

You understand and acknowledge that Franchisor has entered into this Agreement in reliance on your business skill, financial capacity, personal character, experience, and demonstrated or purported ability in food service operations. Accordingly, you may not sell or transfer or attempt to transfer (including by listing for sale on any sales directory or platform) your interest in this Agreement or the assets of your Restaurant (except in the ordinary course of your business) without Franchisor’s prior written consent. In addition, if you are a Business Entity, no Owner may transfer or assign his or her equity interest in the Business Entity without Franchisor’s prior written consent. For purposes of this Section 17.B the term “transfer” means and includes an actual assignment, sale, or transfer of an interest, or a collateral assignment or pledge of the interest as security for performance of an obligation.

You must notify Franchisor in writing of any proposed transfer. Any purported transfer, by operation of law or otherwise, not having the written consent of Franchisor shall be null and void and shall constitute a material breach of this Agreement. Franchisor shall not unreasonably withhold its consent to any transfer if you meet all of the following as conditions of its consent:

- (1) All of your accrued monetary obligations and all other outstanding obligations to Franchisor and its Affiliates and your suppliers shall be up to date, fully paid, and satisfied;
- (2) You must be in full compliance with this Agreement and any other agreements between you and Franchisor, its Affiliates, and your suppliers;

(3) You and each Owner shall have executed Franchisor's then-current form of transfer agreement and other documents Franchisor requires to process the transfer, which shall include a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its Affiliates and their respective officers, directors, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;

(4) The transferee shall demonstrate to Franchisor's satisfaction, in Franchisor's sole discretion, that the transferee meets Franchisor's then-current standards for a new franchisee, including educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to operate the Franchised Business; and has sufficient equity capital to operate the Franchised Business;

(5) The transferee shall sign Franchisor's then-current form of franchise agreement and all other ancillary documents required by Franchisor in connection with a new franchise agreement (and if the transferee is a Business Entity, then the transferee's Owners shall jointly and severally guarantee your obligations under this Agreement in writing in a form satisfactory to Franchisor);

(6) You shall pay to Franchisor a transfer fee equal to either: (i) 50% of Franchisor's then-current initial franchise fee if the transferee is not a current franchisee, or (ii) \$7,500 if the transferee is a current franchisee;

(7) The transferee shall agree to update, remodel, refurbish, renovate, modify, or redesign your Restaurant, at transferee's sole expense, to conform to Franchisor's then-current Standards, as deemed necessary by Franchisor, and shall complete such changes to your Restaurant within 45 days of Franchisor's approval of the transfer;

(8) You agree to remain liable for all direct and indirect obligations to Franchisor in connection with the Franchised Business prior to the effective date of the transfer, shall continue to remain responsible for its obligations of nondisclosure, noncompetition, nondisparagement, confidentiality, and indemnification as provided elsewhere in this Agreement, and all other obligations that survive termination, expiration, or transfer and shall execute any and all instruments reasonably requested by Franchisor to further evidence such obligation;

(9) The transferee shall comply with Franchisor's initial training requirements, and all other obligations applicable under its new franchise agreement to entering the Franchise System as a new franchisee;

(10) The landlord allows you to transfer, sublease or assign your Lease for the Approved Location to the transferee, and the transferee and the landlord have executed a new Lease Rider;

(11) Franchisor has determined that the purchase price paid by the transferee will not adversely affect its operation of the Franchised Business, and if any portion of that purchase price is financed, all of the obligations under such financing documents are subordinate to the interests of Franchisor;

(12) You or the transferor must provide Franchisor with a copy of the agreements of purchase and sale between the transferor and the transferee. The economic terms of the transfer may not materially and adversely affect, in Franchisor's sole judgment, the post-transfer viability of the Franchised Business; and

(13) You and the transferee have provided Franchisor with all evidence requested to show that appropriate measures have been taken to effect the transfer as it relates to the operation of the Restaurant, including, by transferring all necessary and appropriate business licenses, insurance policies, and material agreements to the transferee, or obtaining new business licenses, insurance policies and material agreements.

### **C. Right of First Refusal**

If you receive a bona fide offer to purchase your interest in this Agreement or all or substantially all of the assets of the Franchised Business, or if any Owner receives a bona fide offer to purchase his or her equity interests in you, and you or such Owner wishes to accept such offer, you or the Owner must deliver to Franchisor written notification of the offer and, except as otherwise provided herein, Franchisor shall have the right and option, exercisable within 30 days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party. If the bona fide offer provides for the exchange of

assets other than cash or cash equivalents, the bona fide offer shall include the fair market value of the assets and you shall submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer, and Franchisor may substitute cash for any other form of payment proposed in the offer. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. If Franchisor elects to purchase the seller's interest, closing on such purchase must occur by the later of: (1) the closing date specified in the third party offer; or (2) within 60 days from the date of notice to the seller of Franchisor's election to purchase. Franchisor failure to exercise the option described in this [Section 17.C](#) shall not constitute a waiver of any of the transfer conditions set forth in this [Section 17](#). To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price. If Franchisor purchases your Restaurant, it is entitled to all customary warranties and representations, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise. At the closing, you agree to deliver instruments transferring to Franchisor (or a designee of Franchisor) good and merchantable title to the to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor), with all sales and other transfer taxes paid by you; all of your Restaurant's licenses and permits which may be assigned or transferred; the ownership interest or leasehold interest (as applicable) in your Approved Location and improvements or a lease assignment or lease or sublease, as applicable.

#### **D. Transfer Upon Death or Mental Incapacity**

If any Owner dies or becomes incapacitated, Franchisor shall consent to the transfer of the former Owner's interest in this Agreement or equity interest in the franchisee (as applicable) to his or her spouse, heirs or relatives, whether such transfer is made by will or by operation of law, if, in Franchisor's sole discretion and judgment, the transferee meets all of the conditions to transfer specified in [Section 17.B](#). If said transfer is not approved by Franchisor, the executor, administrator, or personal representative of such person shall transfer the former Owner's interest to a third party approved by Franchisor within six months after such death, mental incapacity, or disability. Such transfer shall be subject to Franchisor's right of first refusal and to the same conditions as any *inter vivos* transfer.

#### **E. Non-Waiver of Claims**

Franchisor's consent to a transfer shall not constitute a waiver of any claims it may have against the transferring party, and it will not be deemed a waiver of Franchisor's right to demand strict compliance with any of the terms of this Agreement, or any other agreement to which Franchisor and the transferee are parties, by the transferee.

### **18. Default and Termination**

#### **A. Automatic Termination**

This Agreement will terminate automatically, without notice and without an opportunity to cure, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against you and you do not oppose it; if you are adjudicated bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian (permanent or temporary) for you or your business assets, or any part thereof, is filed against you; if any court of competent jurisdiction appoints a receiver or other custodian (permanent or temporary) for you or your business assets, or any part thereof; if proceedings for a composition with creditors under any state or federal law is instituted by or against you; if a final judgment is entered against you and remains unsatisfied or of record for 30 days or longer, unless a *supersedeas* bond is filed; if you are dissolved, voluntarily or involuntarily; if execution is levied against any assets of you, your Restaurant, or the Franchised Business; if any proceedings to foreclose any lien or mortgage against you, your Restaurant, the Franchised Business, or the assets, equipment, or premises of any of the same, is instituted and not dismissed within 30 days; or if the real or personal property of you, your

Restaurant, the Franchised Business is sold after levy thereupon by any sheriff, marshal, constable, or other authorized law enforcement personnel.

## **B. Termination without Opportunity to Cure**

Franchisor may terminate this Agreement, by delivering to you written notice of termination, upon the occurrence of any of the following events of default:

(1) You fail to identify a site for your Restaurant in accordance with Section 3.A, or develop your Restaurant in accordance with Section 4, and/or open your Restaurant for business by the Opening Date in accordance with Section 5;

(2) Your Designated Manager, or any employees Franchisor requires to attend training, fail to satisfactorily complete Franchisor's initial training program, in accordance with Section 8.A;

(3) Your abandonment of your Restaurant (for purposes of this provision "abandonment" will be deemed to occur if you fail to operate your Restaurant on three or more consecutive days or if you otherwise convey an intention to close your Restaurant), or lose the right to possess your Approved Location;

(4) Any default or breach by you (or your Affiliate) under any mortgage, deed of trust, lease or sublease covering the premises in which your Restaurant is located, which results in you being unable to continue operations at your Restaurant.

(5) The making of any false or materially misleading representations in your franchise application, during the franchise application process or during your operation of your Restaurant (including understatements of Gross Sales);

(6) Your conviction, or any Owner's, conviction of a felony, a crime involving moral turpitude or any other crime which is likely to materially and adversely affect System or the goodwill associated with the System, or if you or any Owner is held liable in any civil action involving allegations of fraud or unfair trade practices or similar allegations;

(7) Violation of any of the covenants described in Section 14, by you or any Owner;

(8) Your Restaurant fails two consecutive quality assurance audits during any rolling 12-month period or fails three quality assurance audits during any rolling 24-month period, regardless of whether such defaults were cured;

(9) You or your Owners attempt to make any transfer in violation of Section 17.B;

(10) You create or allow to exist any condition in connection with the business operations of your Restaurant that Franchisor reasonably determines to present an immediate health or safety concern for your Restaurant's customers or employees;

(11) Any material breach or default by you (or your Affiliate) under the terms and conditions of any development agreement, franchise agreement, note, lease or any other agreement between Franchisor (or its Affiliate), on the one hand, and you (or your Affiliate), on the other, or any default by you (or your Affiliate) of your obligations to any Advertising Cooperative of which you are a member; provided that the foregoing is not intended to amend, modify or limit the cross-default provisions in any such other agreement, if any;

(12) Termination for cause of any other agreement between Franchisor and you or your Affiliate;

(13) Delivery of three or more notices of default during any rolling 24-month period, whether or not the event(s) of default described in such notices ultimately are cured.

## **C. Termination with Opportunity to Cure**

Franchisor may terminate this Agreement, by delivery of written notice of default, upon the occurrence of any of the following events of default and your failure to take appropriate corrective action during the applicable cure period:

(1) You fail to pay any monies owed to Franchisor or its Affiliates or your trade creditors within ten (10) days after delivery of written notice of a deficiency;

(2) You misuse the Proprietary Marks, the Copyrighted Works, or Franchisor's other intellectual property (which includes, without limitation, offering or selling unauthorized products or services under or in conjunction with the Proprietary Marks), and fail to correct the misuse within five (5) days after delivery of written notice;

(3) Your Restaurant is cited for violation of health, sanitation, or safety laws or regulations, and fails to cure the violation within three (3) days after receiving the citation, regardless of any longer cure period granted by any governmental agency; or

(4) You are in default of any other provision of this Agreement (except as otherwise provided in this [Section 18](#)) and fail to take appropriate corrective action within thirty (30) days after delivery of written notice of the default.

#### **D. Other Remedies**

In addition to its termination rights, Franchisor shall have the right to:

(1) require your Restaurant to close during any period in which (i) it is in violation of applicable health, sanitation, or safety laws or regulations, or (ii) Franchisor determines, in its sole discretion, that continued operation of your Restaurant poses a risk to public health or safety;

(2) seek to recover such damages, including all sums due and owing pursuant to this Agreement and any other agreement relating thereto, and the benefit of its bargain hereunder, as Franchisor may, in its discretion, deem appropriate. In computing such damages, it is agreed that the benefit of Franchisor's bargain shall include Franchisee's continuing Royalty Fee payments and Development Fund contributions for the remainder of the term under this Agreement. Such amount shall be computed on the basis of Franchisee's average weekly Gross Sales for the last 26 weeks that Franchisee conducted business at the Franchised Business (or if the Franchised Business is open for less than 26 weeks, the entire period that the Franchised Business is open for business) multiplied by the number of weeks remaining under this Agreement, multiplied by the applicable royalty rate(s) for such periods, computed from the effective date of the termination of this Agreement.

#### **E. Step-In Rights**

To prevent any interruption of business of the Franchised Business and any injury to the goodwill and reputation thereof which may be caused thereby, you hereby authorize Franchisor, and Franchisor shall have the right, but not the obligation, to operate the Franchised Business for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor, may have under this Agreement, if you are in default of your obligations under this Agreement. If Franchisor undertakes to operate the Franchised Business, Franchisor shall have the right to collect and pay from the revenues of the Franchised Business all expenses relating to the operation of the Franchised Business including, without limitation, Royalty Fees and Development Fund contributions, employee salaries, reimbursement of Franchisor's expenses incurred in connection with such operation, and a reasonable management fee. You shall indemnify and hold Franchisor harmless from any and all claims arising from the alleged acts and omissions of Franchisor and its representatives.

### **19. Obligations upon Expiration or Termination**

#### **A. De-Identification and Return of Confidential Information**

Upon termination or expiration of this Agreement, you and your owners must immediately:

(1) close the Restaurant for business to customers and cease to directly or indirectly sell any products and services of any kind and in any manner from the Restaurant and/or using the Proprietary Marks,

unless Franchisor directs you otherwise in connection with Franchisor's exercise of its option to purchase the Restaurant pursuant to Section 19.B;

(2) cease to directly or indirectly use any Proprietary Mark, any colorable imitation of a Proprietary Mark, any other indicia of a Restaurant, or any trade name, trade-mark, service mark or other commercial symbol that indicates or suggests a connection or association with Franchisor, in any manner or for any purpose;

(3) cease to hold yourself out as a FUZZY'S TACO SHOP® franchisee, refrain from representing any present or former affiliation with Franchisor or the FUZZY'S TACO SHOP® franchise system, and take all actions necessary to cancel any assumed or fictitious name containing the Proprietary Marks;

(4) pay all sums due and owing to Franchisor and its Affiliates;

(5) if Franchisor does not exercise its option to purchase the Restaurant under Section 19.B, promptly and at your own expense, remove all materials bearing the Proprietary Marks and remove from both the interior and exterior of the Restaurant and the Approved Location all materials and components of the System's trade dress as Franchisor determines to be necessary to avoid any association between the Restaurant and the Approved Location and the FUZZY'S TACO SHOP® brand or franchise system or that would, in any way, indicate that the Restaurant and the Approved Location are or were associated the FUZZY'S TACO SHOP® brand or franchise system;

(6) cease using and, at our direction, either disable or transfer, assign or otherwise convey to us full control of all Contact Information and Online Presences that you used to operate your Restaurant or that displays any of the Marks or any reference to the franchise system (provided that all liabilities and obligations arising from any such Contact Information or Online Presence prior to the date of the transfer, assignment or conveyance to us will remain your sole responsibility in all respects, and any costs we incur in connection therewith will be indemnifiable under Section 20.B).

(7) surrender to Franchisor all copies of all Confidential Information in your possession including the Manual and all other documentation relating to the operation of the Franchised Business in your possession, and all copies thereof, regardless of medium (and including all computer software, disks, tapes, and other magnetic storage media) and shall retain no copy or record of any of the foregoing, excepting only your copy of this Agreement, any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law; and

(8) comply with all other Standards that Franchisor establishes from time to time (and all applicable laws) in connection with the closure and de-identification of your Restaurant, including for the disposal of Personal Information, in any form, in your possession or the possession of your employees.

If you fail to take any of the actions or refrain from taking any of the actions described above, Franchisor or its designees may take whatever action and sign whatever documents Franchisor deems appropriate on your behalf to cure the deficiencies, including, without liability to you or third parties for trespass or any other claim, to enter the Approved Location and remove any signs or other materials containing any Proprietary Marks from your Restaurant. You must reimburse Franchisor and its designees for all costs and expenses incurred in correcting any such deficiencies. You hereby appoint us your true and lawful attorney-in-fact to take such actions and execute such documents on your behalf as may be required to effect the foregoing purposes.

#### **B. Franchisor's Option to Assume Lease and Purchase Assets**

Upon termination or expiration of this Agreement, Franchisor shall have the option, but not the obligation, to purchase the assets of your Restaurant and/or your Approved Location. If Franchisor elects to purchase the assets of your Restaurant and/or your Approved Location, Franchisor will pay a purchase price equal to fully depreciated book value of the items purchased. Closing on the purchase of assets shall occur no later than 60 days after Franchisor exercises its option. If you lease the Approved Location, you agree to (i) assign your Lease to Franchisor, or (ii) enter into a sublease with Franchisor for the remainder of the Lease term on the same terms (including renewal options) as the Lease. You further agree to assign to Franchisor any or all of the equipment leases and other contracts relating to the operation of your Restaurant that Franchisor may elect

to assume, and take all other actions Franchisor may deem reasonably necessary to transition operation of the Restaurant. If Franchisor purchases your Restaurant, it is entitled to all customary warranties and representations, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise. At the closing, you agree to deliver instruments transferring to Franchisor (or a designee of Franchisor) good and merchantable title to the to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor), with all sales and other transfer taxes paid by you; all of your Restaurant's licenses and permits which may be assigned or transferred; the ownership interest or leasehold interest (as applicable) in your Approved Location and improvements or a lease assignment or lease or sublease, as applicable. Franchisor has the unrestricted right to assign its option under this Section.

If Franchisor elects not to assume purchase the assets of your Restaurant, you shall immediately remove from your Restaurant and Approved Location all items bearing the Proprietary Marks and Copyrighted Works and modify the trade dress as necessary to distinguish the Approved Location from a Restaurant. If you fail or refuse to comply with the requirements of this Section 19.B, Franchisor and its representatives shall have the right to enter on your Approved Location, without liability for trespass or other civil tort, for purposes of making such changes, at your expense, which you shall pay upon demand.

Franchisor shall have the right to offset against the purchase price of any items purchased from you pursuant to this Section 19.B any of the following: (1) amounts that you owe to Franchisor or its Affiliates; (2) Lease transfer fees (if any), other costs owed to your landlord, and the costs of renovating your Restaurant and/or Approved Location so that it meets Franchisor's then-current Standards; (3) the costs of de-identifying your Restaurant and/or Approved Location in accordance with this Section 19.B, if you fail to do so (if Franchisor does not elect to assume the Lease); and (4) all costs incurred by Franchisor relating to its purchase of your Restaurant's assets (including the cost of an independent appraiser, if necessary).

### **C. Compliance with Post Term Obligations**

You and each Owner shall comply with all covenants and obligations which, by their nature, survive termination of this Agreement including, without limitation, the confidentiality and nondisparagement obligations and restrictive covenants set forth and described in Section 14 of this Agreement, the indemnification obligations set forth and described in Section 20.B of this Agreement, and the dispute resolution provision set forth and described in Section 23 of this Agreement.

## **20. Independent Contractor and Indemnification**

### **A. Independent Contractor**

The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that you will operate the Franchised Business as an independent contractor, and that nothing in this Agreement shall be construed to create a partnership, joint venture, agency, employment, fiduciary relationship, master-servant relationship, or legal relationship of any kind.

None of your employees will be considered to be employees of Franchisor or its Affiliates. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be an employee of Franchisor or its Affiliates for any purpose, including with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state, or federal governmental agency. Neither Franchisor nor its Affiliates will have the power to hire or fire your employees. You expressly agree, and will never contend otherwise, that Franchisor's authority under this Agreement to certify certain of your employees for qualification to perform certain functions for your Franchised Business does not directly or indirectly vest in Franchisor or its Affiliates the power to hire, fire, or control any such employee. You further acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities, and elements of your Franchised Business and that under no circumstance shall Franchisor or its Affiliates do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements,

restrictions, prohibitions, specifications, and procedures of System which you are required to comply with under this Agreement, whether set forth in the Manual or otherwise, do not directly or indirectly constitute, suggest, infer, or imply that Franchisor or its Affiliates controls any aspect or element of the day-to-day operations of your Franchised Business, which you alone control, but constitute only standards to which you must adhere when exercising your control of the day-to-day operations of your Franchised Business.

Except as otherwise expressly authorized by this Agreement, neither party hereto will make any express or implied agreements, warranties, guarantees, or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between Franchisor and you are other than that of franchisor and franchisee. Franchisor does not assume any liability, and will not be deemed liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement, nor will Franchisor be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Franchised Business.

During the term of this Agreement, you shall identify yourself as the owner of your Restaurant operating under a franchise granted by Franchisor, and shall apply for all permits, certificates of occupancy, and alcoholic beverage licenses in your own name. Additionally, your individual name (if you are an individual) or your corporate name (if you are a Business Entity) must appear prominently on all invoices, order forms, receipts, business stationery, and contracts. You shall not use the Proprietary Marks to incur or secure any obligation or indebtedness on behalf of Franchisor. You shall display at your Restaurant, in a conspicuous location, a form of notice approved by Franchisor, stating that you are an independent franchised operator of the FUZZY'S TACO SHOP® Franchised Business.

## **B. Indemnification**

You shall defend at your own cost and indemnify and hold harmless to the fullest extent permitted by law, Franchisor and its Affiliates, and their respective directors, officers, managers, owners, employees, agents, shareholders, designees, and representatives (collectively, the "Franchisor Indemnities") from all Losses and Expenses (as defined below) incurred in connection with any action, suit, proceeding, claim, cause of action, 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, arises out of, is based upon, is a result of, or is in any way related to any of the following: (1) any actual or alleged infringement or any other violation or any other alleged violation of any patent, trademark, copyright, or other proprietary right owned or controlled by third parties by you or the Franchised Business or any of their respective the owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with the Franchised Business or otherwise; (2) any actual or alleged violation or breach of any contract, federal, state, or local law, regulation, ruling, standard, or directive of any industry standard by you or the Franchised Business or any of their respective the owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with the Franchised Business or otherwise; (3) any actual or alleged libel, slander, or any other form of defamation by you or the Franchised Business or any of their respective the owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with the Franchised Business or otherwise; (4) any actual or alleged violation or breach of any warranty, representation, agreement, or obligation in this Agreement by you or the Franchised Business or any of their respective the owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with the Franchised Business or otherwise; (5) any and all acts, errors, or omissions engaged in by you or the Franchised Business or any of their respective the owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with the Franchised Business or otherwise, arising out of or related to the design, construction,

conversion, build out, outfitting, remodeling, renovation, upgrading, or operation of the Franchised Business, whether any of the foregoing was approved by Franchisor; (6) any and all acts, errors, or omissions engaged in by you or the Franchised Business or any of their respective the owners, officers, directors, management, employees, agent, servants, contractors, subcontractors, partners, proprietors, Affiliates or representatives, or any third party acting on behalf of or at the direction of such persons or entities, whether in connection with the Franchised Business or otherwise, including, but not limited to, any personal injury, death, or property damage suffered or caused by any delivery person or vehicle serving your Franchised Business; (7) all liabilities arising from or related to your offer, sale, and/or delivery of products and/or services as contemplated by this Agreement; (8) any and all latent or other defects in your Restaurant, whether or not discoverable by Franchisor or you; (9) the inaccuracy, lack of authenticity, or nondisclosure of any information by any customer of your Restaurant; (10) your establishment, construction, opening, or operation of your Restaurant, including, but not limited to, any personal injury, death, or property damage suffered or caused by any customer, visitor, operator, employee, or guest of your Restaurant; crimes committed on or near any of the premises or facilities of or vehicles used by your Franchised Business; any services or products provided by you at or from your Restaurant or otherwise related to the operation of the Franchised Business; (11) any services or products provided by Franchisor and/or its Affiliates or Designated Suppliers; (12) any action by any customer, visitor, operator, employee, or guest of your Restaurant or any other facility of your Franchised Business; (13) any damage to the property of you or Franchisor, their agents, or employees, or any third person, firm, or corporation, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees, or resulted from any strict liability imposed on Franchisor or any of its agents or employees; or (14) in any other way related to or arising from, your Restaurant's operation, the Franchised Business, your use of the System, and/or this Agreement (or your breach of this Agreement).

**THE INDEMNIFICATION REQUIRED UNDER THIS SECTION 20.B SHALL APPLY TO ALL CLAIMS, INCLUDING THOSE THAT ARISE, OR ARE ALLEGED TO ARISE, AS A RESULT OF FRANCHISOR'S OWN NEGLIGENCE OR GROSS NEGLIGENCE, IF ANY, WHETHER FRANCHISOR'S NEGLIGENCE OR GROSS NEGLIGENCE IS THE SOLE, CONTRIBUTING, OR CONCURRING CAUSE OF SUCH ALLEGED DAMAGES THAT MIGHT BE ASSERTED; UNLESS THE CLAIMS, OBLIGATIONS, OR DAMAGES ARE DETERMINED TO BE CAUSED SOLELY BY FRANCHISOR'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT IN A FINAL RULING ISSUED BY A COURT OR ARBITRATOR WITH COMPETENT JURISDICTION.**

For purposes of this Agreement, the term "Losses and Expenses" means, without limitation, all claims, losses, liabilities, costs, and expenses including compensatory, exemplary, incidental, consequential, statutory, or punitive damages or liabilities; fines, penalties, charges, expenses, lost profits, attorneys' fees, expert fees, costs of investigation, court costs, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, costs of or resulting from delays, and financing; travel, food, lodging, and other expenses necessitated by Franchisor's need or desire to appear before, or witness the proceedings of, courts or tribunals (including arbitration tribunals), or governmental or quasi-governmental entities, including those incurred by Franchisor's attorneys or experts to attend any of the same; costs of advertising material and media/time/space, and costs of changing, substituting, or replacing the same; and any and all expenses of recall, refunds, compensation, public notices, and all other amounts incurred by Franchisor in connection with the matters described above. All such Losses and Expenses incurred by Franchisor will be chargeable to and payable by you pursuant to this Section 20.B, regardless of any actions, activities, or defenses undertaken by Franchisor or the subsequent success or failure of such actions, activities, or defenses.

You shall give Franchisor written notice of any event of which you are aware for which indemnification is required within 3 days of your actual or constructive knowledge of such event. At your expense and risk, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof. Any assumption by Franchisor shall not modify your indemnification obligation. Franchisor may, in its sole and absolute discretion, take such actions as it deems necessary and appropriate to investigate, defend, or settle any event, or take other remedial or corrective actions (including choosing and retaining its

own legal counsel) with respect thereof as may be, in Franchisor's sole and absolute discretion, necessary for the protection of the Franchisor Indemnities or the System. Under no circumstances will Franchisor or the Franchisor Indemnities be required to seek recovery from third parties or to otherwise mitigate their losses to maintain a claim against you; in no event will a failure to pursue recovery from third parties or to mitigate loss reduce the amounts recoverable by Franchisor or the Franchisor Indemnities from you. The indemnification obligations provided by this Section 20.B will survive the expiration or termination of this Agreement.

## **21. Notices**

All notices, requests, and reports required or permitted under this Agreement, will be deemed delivered (i) at the time personally delivered, (ii) one (1) day after being sent by nationally recognized commercial courier service for next business day delivery, (iii) three (3) days after being sent by certified or registered mail, or (iv) on the date sent via electronic transmission. Any notice sent by courier or mail must be sent to the respective parties at the addresses reflected in the Summary Page, unless and until a different address has been designated by written notice to the other party; provided, however, that delivery to the address of your Restaurant will always be deemed sufficient.

## **22. Severability and Construction**

### **A. Entire Agreement**

This Agreement, all attachments to this Agreement, the Summary Pages, and all ancillary agreements executed contemporaneously with this Agreement constitute the final and fully integrated agreement between the parties with regard to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in the preceding sentence, however, is intended to disclaim or require you to waive reliance on any representation made in the Franchise Disclosure Document provided to you by Franchisor.

### **B. Modification**

This Agreement may be modified only by a written document, signed by both parties.

### **C. Written Consent**

Whenever this Agreement requires the prior approval or consent of Franchisor, you shall make a timely written request to Franchisor therefore and such approval or consent shall be obtained in writing.

### **D. No Waiver**

No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. Franchisor's waiver of any particular default by you shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar, or different nature, nor shall any delay, forbearance, or omission of Franchisor to exercise any power or right arising out of any breach or default by you of any of the terms, provisions, or covenants hereof affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by you of any terms, covenants, or conditions of this Agreement.

### **E. Severability**

Except as expressly provided to the contrary herein, each section, part, term, and/or provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms and/or provisions of this Agreement as may remain otherwise intelligible,

and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, parts, terms and/or provisions shall be deemed not to be a part of this Agreement; provided, however, that if Franchisor determines that such finding of invalidity or illegality adversely affects the basic consideration of this Agreement, Franchisor, at its option, may terminate this Agreement.

#### **F. Captions and Headings; References to Gender**

All captions in this Agreement are intended solely for the convenience of the parties, and none of the captions shall be deemed to affect the meaning or construction of any provision hereof. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural.

#### **G. Persons Bound**

All acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by you shall be deemed jointly and severally undertaken by all of the parties executing this Agreement as franchisee hereunder. As used in this Agreement, the term “you” shall include all persons who succeed to the interest of the original franchisee by transfer or operation of law.

#### **H. Franchisor’s Judgment**

Whenever this Agreement or any related agreement grants, confers, or reserves to Franchisor the right to take action, refrain from taking action, grant or withhold consent, or grant or withhold approval, Franchisor will, unless the provision specifically states otherwise, have the right to engage in such activity in its sole and unfettered discretion. When the terms of this Agreement specifically require that Franchisor not unreasonably withhold approval or consent, any withholding of Franchisor’s approval or consent will be considered reasonable if you are in default or breach under this Agreement.

#### **I. Execution.**

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement and all other documents related to this Agreement may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically, as if an original had been received.

### **23. Governing law and Forum Selection**

#### **A. Arbitration.**

Franchisor and you agree that all controversies, disputes, or claims between Franchisor or any of its Affiliates, and Franchisor’s and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your Owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to: (1) this Agreement or any other agreement between you (or any of your Owners) and Franchisor (or any of its Affiliates); (2) Franchisor’s relationship with you; (3) the scope or validity of this Agreement or any other agreement between you (or any of your Owners) and Franchisor (or any of Franchisor’s Affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which Franchisor and you acknowledge is to be determined by an arbitrator, not a court); or (4) the System, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (“AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the then current Commercial Arbitration Rules of the AAA. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within 50 miles of Franchisor’s or its successors’ or assigns’ then-current principal place of business (currently, Irving, Texas). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator’s awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys’ fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by

Franchisor or Franchisor's Affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (Franchisor and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys' fees and costs.

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

Franchisor and you agree that arbitration will be conducted on an individual basis and that an arbitration proceeding between Franchisor and any of Franchisor's Affiliates, or Franchisor's and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (or your Owners, guarantors, affiliates, and employees), on the other hand, may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) joined with any separate claim of an unaffiliated third-party, or (iv) brought on your behalf by any association or agent. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

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

The provisions of this Section are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

## **B. Governing Law**

This Agreement is made in and takes effect upon its acceptance and execution by Franchisor at its headquarters in Irving, Texas. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), U.S. Copyright Act (17 U.S.C. Section 101 et seq.), and/or other federal law this Agreement shall be and all claims arising out of or related to the relationship created hereby shall be governed by and interpreted and construed under the substantive laws of the State of Texas, without regard to it conflicts of laws principles, EXCEPT THAT ANY STATE LAW REGULATING THE OFFER OR SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

## **C. Jurisdiction and Venue**

Subject to Section 23.A, and except as expressly provided by applicable state law, the parties agree that any action brought by either party against the other shall be instituted and maintained in the county or district in which Franchisor maintains its principal office at the time the action is initiated. The parties hereby waive all

questions of personal jurisdiction or venue for the purpose of carrying out this provision. Notwithstanding the foregoing, you acknowledge and agree that Franchisor may bring and maintain an action against you in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders, and preliminary and permanent injunctions.

#### **D. Remedy**

Unless otherwise specified in this Agreement, no right or remedy conferred upon or reserved by Franchisor or you by this Agreement is intended and it shall not be deemed to be exclusive of any other right or remedy provided or permitted herein, by law or at equity, but each right or remedy shall be cumulative of every other right or remedy.

You may not under any circumstances make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Agreement, and you hereby waive any such claim for damages, whether by way of affirmative claim, setoff, counterclaim, or defense. Your sole remedy for any such claim will be an action or proceeding for specific performance of the applicable provision(s) of this Agreement.

#### **E. Waiver of Jury Trial; Class Action Bar**

EACH PARTY HEREBY IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING, BROUGHT BY EITHER OF THE PARTIES.

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

#### **F. Limitation of Claims**

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE FRANCHISOR, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS.

NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.

#### **G. Waiver of Punitive Damages**

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY FRANCHISOR FOR THIRD PARTY CLAIMS UNDER SECTION 20.B, THE PARTIES WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

## **H. Attorneys' Fees**

If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party all damages, costs and expenses, including arbitration and court costs and reasonable attorneys' fees. For the purposes of this Section 23.H, the term "prevailing party" means a party that is awarded actual relief in the form of damages, declaratory relief, or injunctive relief, as well as a party that successfully defends a legal action commenced against it.

## **24. Acknowledgments**

### **A. No Licensure Representations; No Reliance**

You acknowledge that neither Franchisor nor its Affiliates, nor any of their respective stakeholders, officers, directors, employees, agents, representatives, independent contractors, has made any representation or statement on which you have relied regarding your ability to procure any required license, permit, certificate or other governmental authorization that may be necessary or required for you to carry out the activities contemplated by this Agreement

### **B. Reasonable Restrictions**

You have carefully considered the nature and extent of the restrictions upon you set forth in this Agreement, including, without limitation, the covenants not to compete, the restrictions on assignment, and the rights, obligations, and remedies conferred upon you under this Agreement. You acknowledge that such restrictions, rights, obligations, and remedies: (a) are reasonable, including, but not limited to, their term and geographic scope; (b) are designed to preclude competition which would be unfair to Franchisor; (c) are fully required to protect Franchisor's legitimate business interests; and, (d) do not confer benefits upon Franchisor that are disproportionate to your detriment.

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Franchise Agreement to be effective on the day and year first written above.

**FUZZY'S TACO OPPORTUNITIES, LLC**  
a Texas limited liability company.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

\_\_\_\_\_ a \_\_\_\_\_.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)  
\_\_\_\_\_ (date)

**FUZZY'S TACO SHOP®**  
**FRANCHISE AGREEMENT**

**ATTACHMENT A**

**GLOSSARY OF ADDITIONAL TERMS**

“**Affiliate**” means any entity that is wholly or partly owned by another entity, that shares common ownership with another entity, or that has an ownership interest in another entity.

“**Business Entity**” means a corporation, limited liability company, limited partnership, or other entity created pursuant to statutory authority.

“**Closed Market**” means any facility serving a captive market, including but not limited to, department stores, food retailers, supermarkets, shopping malls, enclosed shopping centers, amusement parks, airports, train stations and other modes of mass transportation, travel plazas, casinos, nightclubs, cinemas, theaters, restaurants, public facilities, college and school campuses, arenas, stadiums, ballparks, hospitals, healthcare facilities, hotels, guest lodging facilities, day care facilities of any kind, resorts, condominium and cooperative facilities, office buildings, convention centers, airlines (in-flight service), military bases and installations, government facilities, and any other public attraction or venue or mass gathering events or locations, and facilities of any kind for which food and/or beverage service rights are contracted to a third party or parties, whether inside or outside of the Protected Area.

“**Competitive Business**” means any business or enterprise operating or granting franchises or licenses to others to operate any restaurant, retail, wholesale, or other business that offers or sells Mexican, [Tex-Mex](#), or [other](#) Mexican-style menu offerings, prepackaged spices, sauces, or seasoning rubs, or other products or services substantially similar in concept, as determined by Franchisor, exercising reasonable good faith judgment, ~~as those products and services offered by Restaurants.~~

“**Confidential Information**” means all information, knowledge, elements, trade secrets, and know-how utilized or embraced by the System, or which otherwise concerns Franchisor’s systems of operation, programs, services, products, customers, practices, recipes, materials, books, records, financial information, manuals, computer files, databases, or software; including, but not limited to: the Standards and all elements of the System and all products, services, equipment, technologies, recipes, policies, standards, requirements, criteria, and procedures which now or in the future are a part of the System; all information contained in the Manual, including supplements to the Manual; Franchisor’s proprietary recipes and standards and specifications for product preparation, packaging, and service; all specifications, sources of supply, all procedures, systems, techniques and activities employed by Franchisor or by you in the offer and sale of products and/or services at or from your Franchised Business; all pricing paradigms established by Franchisor or by you; all of Franchisor’s and/or your sources, or prospective sources, of supply and all information pertaining to same, including wholesale pricing structures, the contents of sourcing agreements, and the identity of vendors and suppliers; Franchisor’s specifications, and your final plans, for the construction, buildout, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of your Restaurant; the identify of, and all information relating to, the computer and POS hardware and software utilized by Franchisor and you; all information and data pertaining to Franchisor’s and/or your advertising, marketing, promotion, and merchandising campaigns, activities, materials, specifications and procedures; all customer lists and records generated and/or otherwise maintained by your Franchised Business; all internet/web protocols, procedures, and content related to the System and your Franchised Business; Franchisor’s training and other instructional programs and materials; all elements of Franchisor’s recommended staffing, staff training, and staff certification policies and procedures; all communications between you and Franchisor, including the financial and other reports you are required to submit to Franchisor under this Agreement; additions to, deletions from, and modifications and variations of the

components of the System and the other systems and methods of operations which Franchisor employs now or in the future; all other knowledge, trade secrets, or know-how concerning the methods of operation of your Franchised Business which may be communicated to you, or of which you may be apprised, by virtue of operation under the terms of the Franchise Agreement; and all other information, knowledge, and know-how which either Franchisor or its Affiliates, now or in the future, designate as “Confidential Information.”

“**Copyrighted Works**” means works of authorship which are owned by Franchisor and fixed in a tangible medium of expression including, without limitation, the content of the Manual; the design elements of the Proprietary Marks; Franchisor’s product packaging, advertising, and promotional materials; and the content and design of Franchisor’s Web site and advertising and promotional materials.

“**Franchise Site Application**” means the form of application prescribed by Franchisor, from time to time, and used to evaluate proposed sites for your Restaurant.

“**Gross Sales**” means the dollar aggregate of: **(1)** the sales price of all food and beverage items, goods, wares, and merchandise sold, and the charges for all services you perform, whether made for cash, on credit, or otherwise, without reserve or deduction for inability or failure to collect, including sales and services **(A)** originating at from operation of your Restaurant even if delivery or performance is made offsite from your Approved Location, **(B)** placed by mail, facsimile, telephone, any Online Presence, and similar means if received or filled at or from your Approved Location, **(C)** from mechanical and other vending devices in your Restaurant, and **(D)** that you in the normal and customary course of your operations would credit or attribute to the operation of a Restaurant; and **(2)** all monies, trade value, or other things of value that you receive from Restaurant operations that are not expressly excluded from Gross Sales. Gross Sales does not include: **(1)** the exchange of merchandise between Franchisor (if you operate multiple Restaurants) if the exchanges are made solely for the convenient operation of your business and not for the purpose of depriving Franchisor of the benefit of a sale that otherwise would have been made by your Restaurant; **(2)** returns to shippers, vendors, or manufacturers; **(3)** sales of fixtures or furniture after being used in the conduct of the Franchised Business; **(4)** the sale of gift certificates or stored value cards (the redemption value will be included in Gross Sales at the time of redemption); **(5)** insurance proceeds; **(6)** the amount of any discount offered to employees or customers; **(7)** cash or credit refunds for transactions included within Gross Sales (limited, however, to the selling price of merchandise returned by the purchaser and accepted by you); **(8)** the amount of any city, county, state, or federal sales, luxury, or excise tax on such sales that is both **(a)** added to the selling price or absorbed therein and **(b)** paid to the taxing authority by you. A purchase being returned to your Restaurant may not be deducted from Gross Sales unless the purchase was previously included in Gross Sales.

“**Manual**” means the series of documents, publications, bulletins, materials, drawings, memoranda, CDs, DVDs, MP3s, and other media Franchisor may loan you from time to time, which sets forth the System’s Standards, including without limitation operating systems, procedures, policies, methods, standards, specifications, and requirements for operating your Restaurant, and which contains information and knowledge necessary and material to the System, and designated by Franchisor as the mandatory guide for the development and operation of Restaurants, including, without limitation, the FUZZY’S TACO SHOP® confidential and proprietary Operations Manual and Recipe Book, as Franchisor may, in its sole discretion, revise, amend, modify, or update from time to time upon notice of such revisions, amendment, modification, or update to you or your Affiliates.

“**Owners**” means you and your spouse if you are an individual, or each individual or entity holding a beneficial ownership in you if you are a Business Entity. It includes all officers, directors, and shareholders of a corporation, all managers and members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust. If any Owner is a Business Entity, then the term “Owner” also includes the Owners of that Business Entity.

“**Person**” means an individual (and the heirs, executors, administrators, or other legal representatives of an

individual), a partnership, a corporation, a limited liability company, a government, or any department or agency thereof, a trust, and any other incorporated or unincorporated association or organization.

**FUZZY'S TACO SHOP®  
FRANCHISE AGREEMENT**

**ATTACHMENT B**

**APPROVED LOCATION AND PROTECTED AREA**

Section 1.A. The Approved Location is at: \_\_\_\_\_

Section 1.B. The Protected Area is a \_\_\_\_\_ radius surrounding your Approved Location.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Attachment B on the date set forth below to be effective on the day and year first written above.

**FUZZY'S TACO OPPORTUNITIES, LLC**  
a Texas limited liability company.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

\_\_\_\_\_ a \_\_\_\_\_.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

**FUZZY'S TACO SHOP®  
FRANCHISE AGREEMENT**

**ATTACHMENT C**

**FRANCHISEE'S OWNERS AND KEY PERSONNEL**

- A. Franchisee Owners. The following is a list of all shareholders, partners, members, or other investors owning a direct or indirect interest in the Franchisee, and a description of the nature of their interest. All Franchisee Owners shall execute the Undertaking and Guaranty substantially in the form set forth in Attachment D-1 to the Franchise Agreement:

<b>NAME, ADDRESS, AND TELEPHONE NUMBER</b>	<b>OWNERSHIP INTEREST IN FRANCHISEE</b>	<b>NATURE OF INTEREST</b>

- B. Key Personnel. The following is a list of all Key Personnel. All Key Personnel and Franchisee Owners (listed above) shall execute the Confidentiality Agreement and Non-Competition Agreement substantially in the form set forth in Attachment D-2 to the Franchise Agreement:

<b>NAME, ADDRESS, AND TELEPHONE NUMBER</b>	<b>POSITION</b>

- C. Franchisee's Designated Manager is: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
Email Address: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_

- ~~D. Franchisee's Principal Owner is: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
Email Address: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_~~

**FUZZY'S TACO SHOP®  
FRANCHISE AGREEMENT**

**ATTACHMENT D-1**

**UNDERTAKING AND GUARANTY**

By virtue of executing a FUZZY'S TACO SHOP® Franchise Agreement dated \_\_\_\_\_ (as amended, modified, restated or supplemented from time to time, the "Franchise Agreement"), \_\_\_\_\_ ("Franchisee"), has acquired the right and franchise from Fuzzy's Taco Opportunities, LLC ("Franchisor") to establish and operate a FUZZY'S TACO SHOP® restaurant franchise. Pursuant to the terms and conditions of the Franchise Agreement, the undersigned hereby acknowledges and agrees as follows:

1. I have read the terms and conditions of the Franchise Agreement and acknowledge that the execution of this Undertaking and Guaranty is in partial consideration for, and a condition to, the granting of the rights under the Franchise Agreement. I understand and acknowledge that Franchisor would not have granted such rights without the execution of this Undertaking and Guaranty and the other undertakings of the Owners in this Guaranty.
2. I own a beneficial interest in the Franchisee, and I am included within the term "Owner" as defined in the Franchise Agreement.
3. I, individually and jointly and severally with the other Owners, hereby make all of the covenants, representations, warranties, and agreements of the Owners set forth in the Franchise Agreement, and agree that I am obligated to and will perform thereunder, including, without limitation, the provisions regarding compliance with the Franchise Agreement in Section 11, the use of confidential information in Section 14, the covenants in Section 14, the transfer provisions in Section 17, the choice of law and venue provisions in Section 23, and the indemnification obligations in Section 20.
4. I, individually and jointly and severally with the other Owners, unconditionally and irrevocably guarantee to Franchisor and its successors and assigns that all obligations of the Franchisee under the Franchise Agreement will be punctually paid and performed. Upon default by the Franchisee or upon notice from Franchisor, I will immediately make each payment and perform each obligation required of the Franchisee under the Franchise Agreement. Without affecting the obligations of any Owner under this or any other Undertaking and Guaranty, Franchisor may, without notice to any Owner, waive, renew, extend, modify, amend, or release any indebtedness or obligation of the Franchisee or settle, adjust, or compromise any claims that Franchisor may have against the Franchisee. I waive all demands and notices of every kind with respect to the enforcement of this Undertaking and Guaranty, including notices of presentment, demand for payment or performance by the Franchisee, any default by the Franchisee or any guarantor, and any release of any guarantor or other security for this Undertaking and Guaranty or the obligations of the Franchisee. Franchisor may pursue its rights against me without first exhausting its remedies against the Franchisee and without joining any other guarantor and no delay on the part of Franchisor in the exercise of any right or remedy will operate as a waiver of the right or remedy, and no single or partial exercise by Franchisor of any right or remedy will preclude the further exercise of that or any other right or remedy. Upon Franchisor's receipt of notice of the death of any Owner, the estate of the deceased will be bound by the foregoing Undertaking and Guaranty, but only for defaults and obligations under the Franchise Agreement existing at the time of death, and in that event, the obligations of the Owners who survive such death will continue in full force and effect.
5. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Undertaking and Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's

obligations, I agree that Franchisor's release of such security will not affect my liability under this Undertaking and Guaranty.

6. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one Business Day after delivery by Express Mail or other recognized, reputable overnight courier; or three Business Days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

7. I understand that Franchisor's rights under this Undertaking and Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law;

8. I agree to be bound individually to all of the provisions of the Franchise Agreement including, without limitation, the litigation and dispute resolution provisions set forth in Section 23, and I irrevocably submit to the jurisdiction of the state court situated in the county or district in which Franchisor maintains its principal place of business; and

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

10. The undersigned represents and warrants that, if no signature appears below for such person's spouse, such person is not married. The undersigned spouse of each Owner, by executing this Guaranty, acknowledges and consents to the guaranty and agrees to be bound by the terms hereof. Such consent also serves to bind the assets of the marital estate to the undersigned's performance of this Guaranty.

11. If the undersigned party is a business entity, retirement or investment account, or trust, it hereby acknowledges and agrees that if Franchisee (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such guarantor (or on such guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, has executed this Undertaking and Guaranty to be effective on the day and year first written above.

GUARANTOR(S)
Signed: _____
Name: _____
Address: _____
_____
_____
Signed: _____
Name: _____
Address: _____
_____
_____

**FUZZY'S TACO SHOP®  
FRANCHISE AGREEMENT**

**ATTACHMENT D-2**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

In consideration of my being a \_\_\_\_\_ of \_\_\_\_\_ (“Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. Through a FUZZY'S TACO SHOP® Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”), Franchisee has acquired the right and franchise from Fuzzy's Taco Opportunities, LLC (“Franchisor”) to establish and operate a FUZZY'S TACO SHOP® franchise restaurant (“Franchised Business”) and the right to use in the operation of the Franchised Business Franchisor's trade names, trademarks, service marks, including the service mark FUZZY'S TACO SHOP® (“Proprietary Marks”) and the system developed by Franchisor and/or its affiliates for operation and management of Franchised Businesses (“System”), as they may be changed, improved, and further developed from time to time in Franchisor's sole discretion.
2. Franchisor possesses certain proprietary and confidential information, knowledge, elements, and know-how which is utilized in the operation of the System, including, without limitation, the Operations Manual, trade secrets, copyrighted materials, methods, and other techniques and know-how which concerns Franchisor's systems of operation, programs, services, products, customers, practices, recipes, materials, books, records, financial information, manuals, computer files, databases, or software, as further defined in the Franchise Agreement (“Confidential Information”).
3. Any and all manuals, trade secrets, copyrighted materials, methods, information, knowledge, know-how, and techniques which Franchisor specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.
4. I acknowledge that, as a \_\_\_\_\_ of the Franchisee, Franchisor and Franchisee have or will furnish me with valuable specialized training and will disclose Confidential Information to me in furnishing to me the training program and subsequent ongoing training and other general assistance during the term of this Agreement.
5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and I acknowledge that the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.
6. The Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by Franchisor as confidential. Unless Franchisor otherwise agrees in writing, I will not disclose and/or use the Confidential Information except in connection with the operation of the Franchised Business as a \_\_\_\_\_ of the Franchisee, and then only in strict compliance with the Manual and System and only to such employees having a need to know; I will not directly or indirectly imitate, duplicate, or “reverse engineer” any Confidential Information or any other information designated by Franchisor as confidential or aid any third party in such actions; and I will continue not to disclose and/or use any Confidential Information or any other information designated by Franchisor as confidential even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7. Except as otherwise approved in writing by Franchisor, I will not either directly or indirectly, for myself or through, on behalf of, or in conjunction with any person, or legal entity (and I will use my best efforts to cause my direct and indirect affiliates, and my and their respective owners, affiliates, officers, directors, employees, representatives, spouses and immediate family members not to) at any time while I am employed by or associated with the Franchisee, or at any time during the uninterrupted two-year period (which will be tolled during any period of noncompliance) after I cease to be employed by or associated with the Franchisee (or the two-year period after the expiration or earlier termination of the Franchise Agreement, whichever occurs first):

- (a) Divert or attempt to divert any present or prospective customer of any FUZZY'S TACO SHOP® Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is harmful, injurious, or prejudicial to the goodwill associated with the System defined and described in the Franchise Agreement; or
- (b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any direct or indirect interest in (as owner or otherwise) or relationship or association with, any business that engages in the production or sale at retail or wholesale of (1) Mexican menu offerings, other than a FUZZY'S TACO SHOP® Restaurant operated by Franchisee or its Affiliates pursuant to a then-currently effective Franchise Agreement with Franchisor, or (2) prepackaged spices, sauces, or seasoning rubs. While I am employed by or associated with the Franchisee, this restriction shall apply to any location within the United States, its territories or commonwealths, and any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of, or registered the Proprietary Marks or similar marks, or have operated or licensed others to operate a business under the System or the Proprietary Marks or similar marks. After I cease to be employed by or associated with the Franchisee (or after the expiration or earlier termination of the Franchise Agreement, whichever occurs first), this restriction shall apply to any business that is or is intended to be located at the location of any former FUZZY'S TACO SHOP® Restaurant or within a 5-mile radius of any other FUZZY'S TACO SHOP® Restaurant then operating under the System and Proprietary Marks in existence or under development at the time of such termination or transfer.

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

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

10. Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and Franchisor, any claim I have against the Franchisee or Franchisor is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the State of Texas. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

12. With respect to all claims, controversies and disputes, I irrevocably consent to personal jurisdiction and submit myself to the jurisdiction of the state courts located in Tarrant County, Texas, and the United States District Court for the Northern District of Texas. I acknowledge that this Agreement has been entered into in the state of Texas, and that I am to receive valuable information emanating from Franchisor's headquarters in Irving, Texas. In recognition of the information and its origin, I hereby irrevocably consent to the personal jurisdiction of the state and federal courts of Texas as set forth above. Notwithstanding the foregoing, I acknowledge and agree that Franchisor may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

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

14. Notwithstanding any provisions in this Agreement or company policy applicable to the unauthorized use or disclosure of trade secrets, I have hereby been notified that, pursuant to the Defend Trade Secrets Act of 2016, 18 U.S.C. § 1833(b), an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Confidentiality and Non-Competition Agreement to be effective on the day and year first written above.

\_\_\_\_\_  
Signature

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

**ACKNOWLEDGED BY FRANCHISEE**

\_\_\_\_\_  
a \_\_\_\_\_.

By: \_\_\_\_\_

\_\_\_\_\_ (name)

\_\_\_\_\_ (title)

**FUZZY'S TACO SHOP®  
FRANCHISE AGREEMENT**

**ATTACHMENT E**

**AUTHORIZATION FOR PREARRANGED PAYMENTS (ACH DEBITS)**

The undersigned franchisee hereby authorizes Fuzzy's Taco Opportunities, LCC ("Franchisor") to automatically debit its:

[ ] checking [ ] savings account \_\_\_\_\_  
(Account No.)

\_\_\_\_\_ at the \_\_\_\_\_ branch of  
(Bank Transit / ABA No.) (Branch)

\_\_\_\_\_ in \_\_\_\_\_,  
(Financial Institution) (City) (State)

on Tuesday of each week for royalties and other recurring fees due Franchisor pursuant to the terms of the Franchise Agreement executed by and between Franchisor and the undersigned franchisee.

The undersigned acknowledges and agrees that this authorization will be in effect until the undersigned notifies its financial institution in writing that this service is no longer desired, allowing the institution reasonable time to act on such notification. If corrections in the debit amount are necessary, it may involve an adjustment (credit or debit) to the undersigned's account.

**NOTICE TO THE UNDERSIGNED FRANCHISEE:** You have the right to stop payment of a debit entry by notifying the appropriate financial institution before the account is charged. If an erroneous debit entry is charged against your account, you have the right to have the amount of the entry credited to your account by your financial institution, provided that within fifteen (15) calendar days following the date on which you were sent a statement of account or a written notice of such entry, or forty-five (45) days after posting, whichever comes first, you give your financial institution a written notice identifying the entry, stating that is in error and requesting credit back to your account.

THIS AUTHORIZATION IS NON-NEGOTIABLE AND NON-TRANSFERABLE.

\_\_\_\_\_  
(Franchisee's Legal Name) (Franchisee's ID No.)

\_\_\_\_\_  
(Franchisee's Store Location)

\_\_\_\_\_ (\_\_\_\_\_) \_\_\_\_\_  
(Name of Authorized Signer) (Contact Phone #)

\_\_\_\_\_  
(Signature) (Date)

**NOTE:** Please attach check or withdrawal form marked VOID for verification of account information.

**FUZZY'S TACO SHOP®  
FRANCHISE AGREEMENT**

**ATTACHMENT F**

**TELEPHONE AND ONLINE PRESENCE ASSIGNMENT AGREEMENT**

THIS TELEPHONE AND ONLINE PRESENCE ASSIGNMENT AGREEMENT is made on \_\_\_\_\_, by and between \_\_\_\_\_ (“Assignor”) and Fuzzy’s Taco Opportunities, LLC or its designee (“Assignee”).

**BACKGROUND**

- A. The Assignee has developed and owns the proprietary system (“System”) for the operation of a Restaurant under the trademark and logo FUZZY’S TACO SHOP (the “Franchised Business”);
- B. The Assignor has been granted a license to operate a Franchised Business pursuant to a Franchise Agreement dated \_\_\_\_\_, in accordance with the System;
- C. In order to operate its Franchised Business, the Assignor shall be acquiring certain telephone numbers, facsimile numbers, directory listings, and/or any other type of contact information or directory listing (each a “Telephone Presence”), and/or certain website, domain name, email address, social media account, user name, other online presence or presence on any electronic medium of any kind (each an “Online Presence”); and
- D. As a condition to the execution of the Franchise Agreement, the Assignee has required that the Assignor assign all of its right, title and interest in its Telephone Presences and Online Presences to the Assignee in the event of a termination or expiration of the Franchise Agreement;

**AGREEMENT**

In consideration of the foregoing, the mutual premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Assignment.** In the event of termination or expiration of the Franchise Agreement, Assignor hereby sells, assigns, transfers and conveys to Assignee all of its rights, title and interest in and to all Telephone Presences and Online Presences pursuant to which Assignor operated its Franchised Business in any manner, or which display, connect to, or are relating to the franchise system operated by Assignee, or any tradenames, trademarks or other proprietary materials or symbols of any kind of Assignee’s or its affiliates relating to such franchise system or the Franchised Business. Upon termination or expiration of the Franchise Agreement, Assignor shall immediately notify the telephone company, listing agencies and any other third-party owning or controlling any Telephone Presences, and any internet service provider, website hosting company, domain registrar, social network or other third-party owning or controlling any Online Presence (all such entities collectively “Registrars”) to assign the Telephone Presences and Online Presences, as applicable, to Assignee. This Assignment is for collateral purposes only and, except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Assignee shall notify any applicable Registrar to effectuate the assignment pursuant to the terms hereof, and in such case, Assignee’s liability will accrue exclusively from and after the date of such assignment.
2. **Attorney in Fact.** Assignor irrevocably appoints Assignee as Assignor’s true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Registrar to assign all Telephone Presences and Online Presences to Assignee and execute such documents and take such actions as may be necessary to effectuate the assignment. If Assignor fails to promptly direct the Registrars to assign the Telephone

Presences and Online Presences to Assignee, Assignee shall direct the Registrars to effectuate the assignment contemplated hereunder to Assignee. The parties agree that the Registrars may accept Assignee's written direction, the Franchise Agreement or this Assignment as conclusive proof of Assignee's exclusive rights in and to the Telephone Presences and Online Presences, as applicable, upon such termination or expiration. The parties further agree that if the Registrars require that the parties execute any assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Assignee's execution of such forms or documentation on behalf of Assignor shall effectuate Assignor's consent and agreement to the assignment.

3. Further Assurances. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

4. Representation and Warranties of the Assignor. Assignor hereby represents, warrants and covenants to Assignee as of the date hereof, and as of the date of expiration or termination of the Franchise Agreement, that:

- (a) All of Assignor's obligations and indebtedness related to its Contact Identifiers and Online Presences have been paid and are current;
- (b) Assignor has full power and legal right to enter into, execute, deliver and perform this Assignment;
- (c) This Assignment is a legal and binding obligation of Assignor, enforceable in accordance with the terms hereof;
- (d) The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which Assignor is a party or by which Assignor is bound, and no consent of nor approval by any third party is required in connection herewith; and
- (e) Assignor has the specific power to assign and transfer its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements, and Assignor has obtained all necessary consents to this Assignment.

5. Miscellaneous. The validity, construction and performance of this Assignment shall be governed by the laws of the State of Texas. All agreements, covenants, representations and warranties made herein shall survive the execution hereof. All rights of Assignee shall inure to its benefit and to the benefit of its successors and assigns. Assignee may assign its rights under this Assignment to any designee. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. This Assignment may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically.

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Telephone and Online Presence Assignment Agreement to be effective on the date first written above.

**FUZZY'S TACO OPPORTUNITIES, LLC**  
a Texas limited liability company.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

\_\_\_\_\_ a \_\_\_\_\_.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

**FUZZY'S TACO SHOP®  
FRANCHISE AGREEMENT**

**ATTACHMENT G**

**LEASE RIDER**

**THIS RIDER** (this "Rider") is incorporated into the body of the lease to which this rider is attached, dated \_\_\_\_\_ (the "Lease") between \_\_\_\_\_, having its principal offices at \_\_\_\_\_ ("Landlord"), and \_\_\_\_\_, having its principal offices at \_\_\_\_\_ ("Tenant"), for that certain real property premises located at \_\_\_\_\_ (the "Premises"). The provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control.

1. Acknowledgement of Franchise Relationship. Landlord acknowledges that Tenant intends to operate as a FUZZY'S TACO SHOP® franchise restaurant at the Premises (the "Franchised Business"), and consents to such use for the term of the Lease, including any extensions. Landlord further acknowledges and agrees that that Tenant's rights to operate the Franchised Business is solely pursuant to a franchise agreement ("Franchise Agreement") between Tenant and Fuzzy's Taco Opportunities, LLC ("Franchisor"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Landlord agrees not to take an action that would prohibit Tenant from operating the Franchised Business, as contemplated by the Franchise Agreement, at the Premises.
2. Collateral Assignment of Lease. Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in the Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, (ii) Franchisor's succeeding to Tenant's interest in the Lease as a result of Franchisor's exercise of rights or remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) the assignment of the Lease by Franchisor, Tenant or any other franchisee to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord agrees that to the extent Franchisor becomes Tenant, for howsoever brief a period, upon assumption of lease pursuant to this provision, that simultaneously with any subsequent assignment to another party, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment; provided, that neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor, unless otherwise agreed by Landlord.
3. Tenant Signage. Landlord agrees to allow Tenant to use Franchisor's standard interior and exterior signage and designs to the maximum extent permitted by local governmental authorities. Tenant shall be provided, at Tenant's sole cost and expense, with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and shall be permitted to install a standard sign thereon approved by Franchisor, including without limitation Franchisor's logo.
4. Franchisor Not a Guarantor. Landlord acknowledges and agrees that notwithstanding any terms or conditions contained in this Rider or any other agreement, Franchisor shall in no way be construed as a guarantor or surety of Tenant's obligations under the Lease.
5. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing on receipt thereof by Franchisor, Franchisor shall have fifteen (15) additional days to the

established cure period as is given to Tenant under the Lease for such default to cure such defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default.

6. Non-disturbance from Mortgage Lenders. It shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under the Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided therein or herein.

7. Franchisor Right to Enter. Landlord acknowledges and agrees that Franchisor or its designee may enter the Premises for all purposes permitted under the terms of the Franchise Agreement, including to inspect the Premises and the Franchised Business' operations, to manage the Tenant's business on Tenant's behalf under certain circumstances (to-wit: Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the location), or to remove any trade fixtures or signage upon termination or expiration of the Franchise Agreement. If Franchisor enters the Premises for any such purposes, it will do so without assuming any liability under the Lease.

8. Amendments. Tenant agrees that neither the Lease nor this Rider may be amended by the parties thereto without the prior written consent of Franchisor.

9. Third Party Beneficiary. Franchisor is a third party beneficiary of the terms of this Rider, or any other terms of the Lease applicable to Franchisor's rights under the Lease, and as a result thereof, shall have all rights (but not the obligation) to enforce the same. Failure of Franchisor to enforce or exercise any of its rights hereunder shall not constitute a waiver of the rights hereunder or a waiver of any subsequent enforcement or exercise of its rights hereunder.

10. Severability. If any provision of this Rider or any part thereof is declared invalid by any court of competent jurisdiction, such act shall not affect the validity of this Rider and the remainder of this Rider shall remain in full force and effect according to the terms of the remaining provisions.

11. Remedies. The rights and remedies created herein shall be deemed cumulative and no one such right or remedy shall be exclusive at law or in equity of the rights and remedies which Franchisor may have under this or any other agreement to which Franchisor and Tenant are parties.

12. Successors and Assigns. All of Franchisor's rights, privileges and interests under this Rider and the Lease shall inure to the benefit of Franchisor's successors and assigns. Franchisor may assign its rights under this Assignment to any designee. All provisions in this Rider applicable to Tenant and Landlord shall be binding on any successor or assign of Tenant or Landlord under the Lease

13. Execution. This Rider may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement with the Lease. This Rider and all other documents related to this Rider may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically.

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Lease Rider to be effective as of the effective time of the Lease.

\_\_\_\_\_  
a \_\_\_\_\_ (“Tenant”).

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

\_\_\_\_\_  
a \_\_\_\_\_ (“Landlord”).

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

**EXHIBIT C-3  
TO FUZZY'S TACO SHOP®  
FRANCHISE DISCLOSURE DOCUMENT**

**GENERAL RELEASE**

**FUZZY'S TACO SHOP®**  
**GENERAL RELEASE**

**BE IT KNOWN THAT** \_\_\_\_\_ (“Franchisee”) hereby enters this Release in favor of Fuzzy’s Taco Opportunities, LLC (“Franchisor”), in exchange for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, upon the terms set forth herein.

1. Effective immediately, Franchisee and its present or past parent, affiliates, and subsidiaries, and each such foregoing person’s or entity’s respective present or past shareholders, members, directors, officers, employees, contractors, agents, and representatives, and the spouses, predecessors, successors, heirs, executors, administrators, and assigns of the foregoing in their individual and corporate capacities (each a “Releasor” and collectively the “Releasors”), completely, irrevocably, and absolutely release and forever discharge, without limitation or reservation, Franchisor and its present or past parents, affiliates, and subsidiaries, and each such entity’s officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees, past and present, in their corporate and individual capacities (each a “Released Party” and collectively the “Released Parties”), from all claims, liabilities, allegations, demands, obligations, actions, suits, causes of action, debts, costs, expenses, and controversies, whether class, individual, or otherwise in nature (“Claims”), whenever and wherever incurred, whether known or unknown, whether vested or contingent, and from all liabilities of any nature whatsoever, including, without limitation, any and all Claims in any way, costs, expenses, penalties, and attorneys’ and accountants’ fees and costs, asserted or unasserted, whether at law or in equity, which Releasors, whether directly, representatively, derivatively, or in any other capacity, ever had or now have, or now owns or holds, or has at any time owned or held, or may at any time own or hold, against Franchisor or its affiliated companies arising prior to and including the Effective Date, whether arising out of, or relating to, the Prior Agreements, or otherwise, or operation of any and all of the Restaurants (“Release”). Releasors, and each of them, on behalf of themselves and the other Releasors, further covenant not to use any of the Released Parties on any of the Claims released by this section, and warrant and represent that the Releasors have not assigned or otherwise transferred any Claims released by section.

2. Releasors voluntarily and knowingly enter into this Release.

3. If any Claim is not subject to release, then, to the extent permitted by law, Releasors waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a Claim in which any Released Party identified in this Agreement is a party.

4. Effective immediately, Releasors irrevocably and absolutely withdraw and terminate any notice to cure, legal action, arbitration, or mediation demand filed or pending by Releasors against any of the Released Parties; and, if Releasors are parties to any notice to cure, legal action, arbitration, or mediation demand filed or pending against any of the Released Parties by Releasors and other third parties, Releasors withdraw and terminate participation in such notice to cure, legal action, arbitration, and mediation (“Withdrawal of Action”).

5. Releasors may, after the Effective Date, discover facts other than or different from those which Releasors now know or believe to be true with respect to the subject matter of this Release, the Franchise Agreement, the Withdrawal of Action, or otherwise, but Releasors hereby expressly agree that, as of the Effective Date, they shall have waived and fully, finally, and forever settled and released any Claim with respect to this Release, the Franchise Agreement, the Withdrawal of Action, and otherwise, whether or not concealed or hidden, without regard to the subsequent discovery or existence of such other or different facts.

6. Releasors agree that nothing in this Release shall act to release any of them from any obligation or liability to any of the Released Parties under this Release, the Franchise Agreement, or otherwise, and that none of the Released Parties assumed any obligation or liability to any third party during any term of the Franchise Agreement or any other agreement to which any Releasor and any Released Party are parties. Releasors further agree that nothing in this Release shall act to release any of them from any liability to the general public or third parties or from any agreement, understanding, or liability that any of them may have incurred to any other person or third party. Releasors further agree that nothing in this Release shall release any of them from any obligation under this Release.

7. Releasors agree that this Release shall be a complete defense for any of the Released Parties to any claim that is subject to the terms of this Release. Releasors covenant and agree to indemnify and hold harmless each and all of the Released Parties from and against any and all Claims suffered or incurred by any of the Released Parties that arise out of, result from, or are related to, any breach or failure of Releasors to perform or comply with any of the commitments or obligations of such parties hereunder.

8. To the extent permitted by law, Releasors agree not to disclose, either directly or indirectly, any information whatsoever relating to the existence or substance of this Release to any person or entity, including, but not limited to, members of the media, past, present, or future employees and franchisees of the Released Parties or attorneys or private investigators representing other employees or entities or their franchisees. Releasors may, however, disclose the terms of this Release (a) to their accountants, counsel, or spouses with whom Releasors choose to consult or seek advice regarding their consideration of the decision to execute this Agreement, provided, however, that those to whom Releasors makes such disclosure must be made aware of this Agreement and Release and must agree to keep such information confidential and not disclose it to others; or (b) if required to do so by law or court order.

9. Upon inquiry by any third party regarding any matter covered under this Release, Releasors shall either (a) not respond or (b) state only that it has been resolved.

10. In the event that Releasors, or their legal counsel, believe either is compelled to provide or disclose information described in this Release, they shall provide written notice to Franchisor of such belief, via certified mail, at Franchisor's address for notices no later than seven (7) business days prior to said production or disclosure.

11. The Released Parties have the right to file an original counterpart or a copy of this Agreement with any court, arbitrator, or agency as written evidence of the appointment by Releasors of the Released Parties or the nominee of any Released Party to be the attorney-in-fact for Releasors with regard to the Release and the Withdrawal of Any Action.

12. If the franchise you operate under the Franchise Agreement is located in Maryland or if any of the Releasors is a resident of Maryland, the following shall apply: Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

13. If the franchise you operate under the Franchise Agreement is located in Washington or if any of the Releasors is a resident of Washington, the following shall apply: Any general release provided for hereunder shall not apply to any liability under the Washington Franchise Investment Protection Act.

*[SIGNATURE PAGE FOLLOWS]*

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, has executed this Release to be effective on the day and year set forth below.

\_\_\_\_\_ (“Franchisee”)  
a \_\_\_\_\_.

By: \_\_\_\_\_  
\_\_\_\_\_ (name)  
\_\_\_\_\_ (title)

Dated: \_\_\_\_\_

**EXHIBIT C-4  
TO FUZZY'S TACO SHOP®  
FRANCHISE DISCLOSURE DOCUMENT**

**CONSENT TO TRANSFER**

## CONSENT TO TRANSFER AGREEMENT

This **CONSENT TO TRANSFER AGREEMENT** (this “**Consent**”) is entered into as of \_\_\_\_\_, 20\_\_ (the “**Effective Date**”), by and among Fuzzy’s Taco Opportunities, LLC, a Texas limited liability company, with its principal office in Irving, Texas (“**Franchisor**”), \_\_\_\_\_, a \_\_\_\_\_ (“**Transferor**”), \_\_\_\_\_, an individual (“**Transferor Guarantor**”), \_\_\_\_\_, a \_\_\_\_\_ (“**Transferee**”), and \_\_\_\_\_, an individual (“**Transferee Guarantor**”). Transferor, Transferor Guarantor, and their respective affiliates, employees, owners, officers, directors, successors, assigns, and other representatives and other related parties are collectively referred to as the “**Transferor Parties**.” Transferee, Transferee Guarantor, and their respective affiliates, employees, owners, officers, directors, successors, assigns, and other representatives and other related parties are collectively referred to as the “**Transferee Parties**.”

### RECITALS

A. Franchisor and Transferor are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “**Original Agreement**”), pursuant to which Franchisor granted Transferor, and Transferor undertook, the right and license to own and operate a FUZZY’S TACO SHOP® Restaurant located at \_\_\_\_\_ (the “**Restaurant**”). Transferor Guarantor personally guaranteed all obligations of Transferor under the Original Agreement (the “**Original Guaranty**”).

B. Transferor has notified Franchisor that it wishes to transfer the Restaurant to Transferee, including a transfer of substantially all the assets of the Restaurant and a transfer of the lease to the premises of the Restaurant (the “**Transfer**”), pursuant to the terms of that certain Asset Purchase Agreement dated \_\_\_\_\_, in form and substance provided to Franchisor (the “**Purchase Agreement**”).

### AGREEMENT

**FOR AND IN CONSIDERATION** of the foregoing recitals, the covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Consent to Transfer and Waiver of Right of First Refusal.** Subject to the terms and conditions of this Consent, Franchisor hereby consents to the Transfer of the Restaurant on the terms set forth in the Purchase Agreement and hereby waives its right of first refusal to acquire the assets of the Restaurant on the basis of such Transfer under the Original Agreement. Any substantive change or amendment to, or waiver of, any provision of the Purchase Agreement prior to the Transfer will require Franchisor’s separate prior written consent. In the event that any term or condition of this Consent is not met by the parties as of the date of the Transfer (the “**Transfer Date**”), including any representation or warranty that is not true as of the Effective Date or the Transfer Date, Franchisor’s consent to the Transfer may be withdrawn, and any transfer that occurs thereafter, of any kind, including the Transfer, shall be deemed an unauthorized transfer under the terms of the Original Agreement.

2. **Termination of Original Agreement.** Upon consummation of the Transfer, the Original Agreement will automatically terminate effective as of the Transfer Date. After the Transfer Date, the provisions of the Original Agreement shall be of no further force or effect; provided, however, that nothing in this Consent will be deemed to terminate or release the Transferor Parties from any of the following obligations (together, the “**Surviving Obligations**”): (i) any obligations under the Original Agreement that, either expressly or by their nature, survive termination thereof (including, post-termination restrictive covenants, indemnification, dispute resolution, non-disparagement, confidentiality provisions, and the obligation to cease using any proprietary trademarks); or (ii) any obligations under this Consent. The Original Guaranty shall remain in force and effect and shall serve as a guaranty of the Surviving Obligations, and Transferor Guarantor acknowledges and agrees that Franchisor may seek any available remedies against him or her for the failure of any Transferor Party to comply with any Surviving Obligations.

3. **Representations and Warranties.** The Transferor Parties and the Transferee Parties each hereby, jointly and severally, represent and warrant to Franchisor as of the Effective Date and as of the Transfer Date that: (i) Transferor and Transferee are each a legal entity duly organized, validly existing and in good standing under the laws of their respective jurisdiction of organization; (ii) Transferor and Transferee each have all requisite power and authority to be bound by the terms hereof and to carry out and perform its obligations under this Consent, the Purchase Agreement, and in the case of Transferee, the New Agreement (as defined below); and (iii) the parties have provided Franchisor with a final executed and effective copy of the Purchase Agreement and no provision of the Purchase Agreement has been modified, amended, waived, or disclaimed in any manner by the parties thereto prior to the Effective Date.

4. **Conditions to Consent.** Franchisor's consent to the Transfer is conditioned on all of the following terms and conditions being met on or prior to the Transfer Date:

(a) The Transfer must occur no later than \_\_\_\_\_, and if the Transfer shall not have occurred by such date, this Consent shall be deemed void, and Franchisor's consent to the Transfer shall be deemed withdrawn, and any transfer that occurs thereafter, of any kind, including the Transfer, shall be deemed an unauthorized transfer under the terms of the Original Agreement;

(b) All of Transferor Parties' accrued monetary obligations and all other outstanding obligations to Franchisor and its affiliates and Transferee Parties' suppliers must be up to date, fully paid, and satisfied;

(c) All of the representations and warranties made in this Consent by the Transferor Parties and Transferee Parties must be true and correct as of the Transfer Date, and Transferor Parties and Transferee Parties must not have violated any provision of this Consent, the Original Agreement, the New Agreement or any other agreement between any such party and Franchisor or Franchisor's affiliates, or any suppliers or landlord of the Restaurant, as applicable;

(d) Transferee Parties must have provided Franchisor all information or documents Franchisor requests to demonstrate to Franchisor's satisfaction that the Transferee Parties (i) meet Franchisor's then-current standards for a new franchisee, including educational, managerial, and business standards; (ii) possess a good moral character, business reputation, and credit rating; (iii) have the aptitude and ability to operate the Restaurant; and (iv) have sufficient equity capital to operate the Restaurant and comply with the terms of the Purchase Agreement;

(e) Transferee Parties must sign Franchisor's then-current form of franchise agreement for the remaining term, including execution of a guaranty of all obligations thereunder by the Transferee Guarantor, and all other ancillary documents required by Franchisor in connection with a new franchise agreement (together, the "**New Agreement**");

(f) Transferor Parties must pay to Franchisor a transfer fee equal to \_\_\_\_\_, plus, in each case reimbursement of Franchisor's related direct costs and expenses (including attorneys' fees);

(g) Transferor Parties must update, remodel, refurbish, renovate, modify, or redesign the Restaurant, at Transferor Parties' sole expense, to conform to Franchisor's then-current Standards, as defined under the New Agreement, or as otherwise as deemed necessary by Franchisor, and must complete such changes to the Restaurant within 45 days of the Effective Date;

(h) Transferee Parties must comply with Franchisor's initial training requirements, and all other obligations applicable under its New Agreement to entering the Franchise System as a new franchisee;

(i) The landlord must allow Transferor to transfer, sublease or assign the lease agreement for the premises of the Restaurant to the Transferee, and Transferee and the landlord must have executed a new lease rider in the form attached to the New Agreement; and

(j) The Transferor Parties and Transferee Parties must have provided Franchisor with all evidence requested to show that appropriate measures have been taken to effect the Transfer as it relates to the operation of the Restaurant, including, by transferring all necessary and appropriate business licenses, insurance policies, and material agreements to the appropriate Transferee Parties, or obtaining new business licenses, insurance policies and material agreements.

5. **Terms of Purchase Agreement.** Notwithstanding the terms of the Purchase Agreement, the Transferor Parties and Transferee Parties hereby agree that the Transfer shall not transfer or purport to transfer any assets, rights or interests reserved by, owned by or accruing to the benefit of Franchisor, including, without limitation: (i) any assets, rights or interests associated with the trademarks, trade dress, copyrights, goodwill, domain names, or other intellectual property used in connection with the Restaurant; (ii) any customer lists, databases, website data, logins and passwords, or any other proprietary information used in connection with the Restaurant; and (iii) any other assets, rights or interests reserved to Franchisor under the terms of the Original Agreement and/or New Agreement. All such assets, rights or interests of Franchisor are hereby expressly reserved by Franchisor, and the Transferor Parties and Transferee Parties hereby expressly waive and disclaim such assets, rights or interests in all respects.

6. **Further Assurances.** The Transferor Parties and Transferee Parties each covenant and agree, at their own expense, to execute and deliver, at Franchisor's request, such further instruments and to take such other action as Franchisor may request to more effectively consummate the Transfer, the effectiveness of the New Agreement, and the other terms and conditions contemplated by this Consent.

7. **Franchisor Release.** The Transferor Parties, jointly and severally, on behalf of themselves and the other Transferor Parties, hereby fully and forever unconditionally release and discharge Franchisor, and its affiliates, current and former parents, subsidiaries, franchisees, area representatives, owners, agents, insurers and their respective employees, officers, directors, successors, assigns, owners, guarantors and other representatives (the "**Franchisor Parties**"), of and from any and all claims, obligations, debts, proceedings, demands, causes of action, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever, whether known or unknown, suspected or unsuspected, at law or in equity, which any of them has, had, or may have against any of the Franchisor Parties, from the beginning of time to the Effective Date, including, without limitation, any and all Claims in any way arising out of or relating to the Original Agreement or the relationship of the Transferor Parties with the Franchisor Parties.

If the Restaurant is located in Maryland or if any of the Transferor Parties is a resident of Maryland, the following shall apply: "Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

If the Restaurant is located in Washington or if any of the Transferor Parties is a resident of Washington, the following shall apply: "Any general release provided for hereunder shall not apply to any liability under the Washington Franchise Investment Protection Act."

8. **Future Assignments.** Franchisor's consent under this Consent will not be construed as its consent to any further assignments or transfers of the Original Agreement or New Agreement, the Restaurant, or the membership or ownership interests of the Transferor Parties or Transferee Parties, or to the waiver of any future rights of first refusal Franchisor may have under the Original Agreement and/or New Agreement, as applicable. Any further transfers require Franchisor's prior written consent under the Original Agreement and/or New Agreement, as applicable.

9. **Role of Franchisor.** Transferor Parties and Transferee Parties each acknowledge and agree that they have negotiated the Transfer without involvement by Franchisor, that Franchisor has not effected or arranged the Transfer, and that Franchisor's only involvement in the transaction has been for the purpose of exercising its right of consent to the Transfer in accordance with the Original Agreement.

10. **Binding Effect.** This Consent inures to the benefit of Franchisor Parties and their respective successors and assigns and will be binding upon the parties and their respective successors, permitted assigns and legal representatives.

11. **Miscellaneous.** This Consent constitutes the entire understanding between the parties with respect to the matters it contemplates. This Consent will be construed and interpreted in accordance with the laws of the State of Texas, without regard to its conflicts of laws rules. The captions and headings are only for convenience of reference, are not a part of this Consent, and will not limit or construe the provisions to which they apply. All references in this Consent to the singular usage will be construed to include the plural and the masculine and neuter usages to include the other and the feminine. This Consent may be executed in multiple copies, each of which will be deemed an original. This Consent may be executed electronically.

**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, the parties have executed and delivered this Consent to be effective as of the Effective Date.

**FRANCHISOR**

**FUZZY’S TACO OPPORTUNITIES, LLC,**  
a Texas limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**TRANSFEROR**

\_\_\_\_\_, a  
\_\_\_\_\_

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**TRANSFEEE**

\_\_\_\_\_, a  
\_\_\_\_\_

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**TRANSFEROR GUARANTOR**

\_\_\_\_\_

Sign: \_\_\_\_\_

**TRANSFEEE GUARANTOR**

\_\_\_\_\_

Sign: \_\_\_\_\_

**EXHIBIT D  
TO FUZZY'S TACO SHOP®  
FRANCHISE DISCLOSURE DOCUMENT  
FINANCIAL STATEMENTS**

# **Fuzzy's Taco Opportunities, LLC**

## **Financial Statements**

As of and for the fiscal years ended  
December 29, 2024 and December 31, 2023

# Fuzzy's Taco Opportunities, LLC

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## Report of Independent Auditors

Member of Fuzzy's Taco Opportunities, LLC

### Opinion

We have audited the financial statements of Fuzzy's Taco Opportunities, LLC (the Company), which comprise the balance sheets as of December 29, 2024 and December 31, 2023, and the related statements of operations, member's equity and cash flows for the fiscal years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 29, 2024 and December 31, 2023, and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

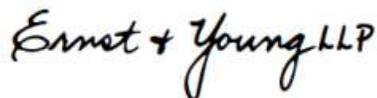
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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



March 20, 2025

## Financial Statements

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# Fuzzy's Taco Opportunities, LLC

## Balance Sheets

(in thousands)

	December 29, 2024	December 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 764	\$ 1,095
Restricted cash	837	1,885
Accounts receivable, net of allowance of \$490 and \$20 as of December 29, 2024 and December 31, 2023, respectively	585	767
Prepaid expenses and other current assets	237	391
<b>Total current assets</b>	<b>2,423</b>	<b>4,138</b>
Tradenname	57,200	57,200
Franchising rights, net	13,279	14,019
Goodwill	—	6,926
Long-term portion of notes receivable	141	408
Operating lease right-of-use assets	125	222
Property and equipment, net	76	104
Other non-current assets	2,603	44
<b>Total assets</b>	<b>\$ 75,848</b>	<b>\$ 83,061</b>
<b>Liabilities and Member's Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,451	\$ 1,409
Due to affiliates	496	327
Development fund liability	289	91
Current maturities of operating lease obligations	128	116
Current portion of deferred franchise fee revenue	23	10
<b>Total current liabilities</b>	<b>2,387</b>	<b>1,953</b>
<b>Long-term liabilities</b>		
Operating lease obligations, less current maturities	22	150
Deferred franchise fee revenue, net of current portion	1,061	945
Other non-current liabilities	36	171
<b>Total liabilities</b>	<b>3,506</b>	<b>3,219</b>
Commitments and Contingencies (Note 6)		
Member's equity	72,342	79,842
<b>Total liabilities and member's equity</b>	<b>\$ 75,848</b>	<b>\$ 83,061</b>

The accompanying notes are an integral part of these financial statements.

# Fuzzy's Taco Opportunities, LLC

## Statements of Operations

(in thousands)

	Fiscal Year Ended <u>December 29, 2024</u>	Fiscal Year Ended <u>December 31, 2023</u>
Revenues		
Franchise and development fees	\$ 194	\$ 13
Royalty income	9,644	11,049
Development fund fees	3,656	3,775
Technology fees	733	750
Other	266	329
Total revenue	<u>14,493</u>	<u>15,916</u>
Costs and expenses		
Franchise expense	511	34
General and administrative	7,569	7,663
Development fund expenses	6,207	3,925
Depreciation and amortization	780	766
Total operating expenses	<u>15,067</u>	<u>12,388</u>
Other expense	<u>6,926</u>	<u>34</u>
Income before taxes	(7,500)	3,494
Income tax expense	<u>-</u>	<u>-</u>
Net (loss) income	<u>\$ (7,500)</u>	<u>\$ 3,494</u>

*The accompanying notes are an integral part of these financial statements.*

# Fuzzy's Taco Opportunities, LLC

## Statements of Member's Equity

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*(in thousands)*

Balance at January 1, 2023	\$	79,598
Distributions		(3,250)
Net income		3,494
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Balance at December 31, 2023		79,842
Net loss		(7,500)
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Balance at December 29, 2024	\$	72,342

*The accompanying notes are an integral part of these financial statements.*

# Fuzzy's Taco Opportunities, LLC

## Statements of Cash Flows

(in thousands)

	Fiscal Year Ended <u>December 29, 2024</u>	Fiscal Year Ended <u>December 31, 2023</u>
Cash flows from operating activities		
Net (loss) income	\$ (7,500)	\$ 3,494
Adjustments to reconcile net (loss) income to net cash provided by operations:		
Impairment charge	6,926	-
Depreciation and amortization	780	766
Provision for doubtful accounts	475	-
Other	(134)	125
Changes in operating assets and liabilities:		
Accounts receivable	177	398
Prepaid expenses	109	124
Operating lease assets and liabilities	(18)	(12)
Due to/from affiliates	169	893
Accounts payable and accrued expenses	42	(550)
Development fund liability	198	(471)
Deferred revenue	(2,431)	(70)
Net cash (used in) provided by operating activities	<u>(1,207)</u>	<u>4,697</u>
Cash flows from investing activities		
Purchases of property and equipment	(13)	(51)
Additions to long-term receivables	(170)	(482)
Principal receipts from equipment contracts receivables	12	16
Net cash used in investing activities	<u>(171)</u>	<u>(517)</u>
Cash flows from financing activities		
Member distributions	-	(3,250)
Net cash used in financing activities	<u>-</u>	<u>(3,250)</u>
Net change in cash, cash equivalents and restricted cash	(1,378)	930
Cash, cash equivalents and restricted cash, beginning of period	<u>2,980</u>	<u>2,050</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 1,602</u>	<u>\$ 2,980</u>
Supplemental disclosure of cash flow information		
Non-cash conversion to notes receivable	\$ 20	\$ -

*The accompanying notes are an integral part of these financial statements.*

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Nature of Activities*

Fuzzy's Taco Opportunities, LLC (the "Company") is a Texas limited liability company formed on May 6, 2008 for the purpose of selling franchises for the operation of casual dining restaurants that offer a specialized menu of Baja-style Mexican food. These restaurants operate under the name "Fuzzy's Taco Shop." As of December 29, 2024, there are shops operating in Alabama, Arizona, Arkansas, Colorado, Florida, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Ohio, Oklahoma, Texas, and Wyoming. The Company recruits, trains and supports the development of these franchises and provides ongoing advertising support. The Company's corporate offices are located in Irving, Texas.

#### *Fiscal Year*

The Company has a 52/53 week fiscal year that ends on the Sunday nearest to December 31 of each year. The 2024 year presented herein began on January 1, 2024 and ended on December 29, 2024. The 2023 year presented herein began on January 2, 2023 and ended on December 31, 2023. Both 2024 and 2023 fiscal years contained 52 weeks.

#### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The 2023 amounts related to franchise transfer fees of \$7,500 and franchisor advertising contribution of \$150,000 has been reclassified from other to franchise and development fees revenue and from development fund expenses to franchise expense, respectively, to conform with the current year's presentation.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates used.

#### *Cash and Cash Equivalents*

The Company considers all unrestricted, highly liquid investments with an original maturity of three months or less to be cash equivalents.

#### *Restricted Cash*

The Company receives development fund fees from its franchisees based on franchisee sales. The franchise agreements restrict the development fund fees for the purposes of promoting the brand. This is recorded as restricted cash on the balance sheet with a corresponding amount in the development fund liability. The Company also receives cash from gift card sales at franchisee locations. The funds are escrowed and paid out to each franchisee location when a customer redeems the gift card. The gift card fund is managed by the Company on behalf of its franchisees and the Company does not have claim to the gift card fund. The Development Fund is further described under Revenue Recognition and Deferred Revenue.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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### ***Concentration of Credit Risk***

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

As of December 29, 2024, two franchisees owned a total of 23 Fuzzy's restaurants, representing 20% of the Company's restaurants. Revenues from these franchisees represented 28% of the Company's total revenues for the year ended December 29, 2024. No other individual franchisee represented more than 10% of the Company's total revenue for the year ended December 29, 2024.

### ***Accounts Receivable and Allowance for Credit Losses***

Accounts receivable consist of amounts due from franchisees for royalties, development fund, franchise fees and franchise support fees, credit card transactions pending settlement, and payments due from franchisees for technology installations at new locations. Management evaluates the adequacy of the allowance for doubtful accounts based on a periodic review of individual accounts. The primary factors considered in determining the collectability are collection history, the aging of the accounts, and other specific information known to management that may affect collectability. Accounts deemed uncollectable are charged to the allowance.

The Company determines the allowance based on historical experience, current payment patterns and reasonable and supportable forecasts used in assessing the franchisees' ability to pay outstanding balances. The primary indicator of credit quality is delinquency, which is considered to be a receivable balance greater than 90 days past due. Allowance for doubtful accounts is continually reviewed. Past due balances are reviewed individually for collectability. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

### ***Intangible Assets***

Intangible assets primarily consist of a tradename and franchising rights. Franchising rights are stated at their estimated fair value at the date of acquisition, less amortization. Franchising rights are amortized over their estimated useful lives of 20 years using the straight-line method. Tradenames are stated at their estimated fair value at the date of acquisition less any recognized impairment losses, and trademarks acquired subsequent thereto, are not amortized, as their useful lives are considered indefinite, but are subject to annual impairment testing or more frequently if indicators are present. See further disclosures related to intangible assets and goodwill in *Note 4 - Goodwill and Other Intangible Assets*.

### ***Goodwill***

Goodwill is recorded when the aggregate purchase price of an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. As a wholly-owned subsidiary of Dine Brands, the Company's goodwill is considered to have an indefinite life and is not subject to amortization.

In testing goodwill for impairment, the Company has the option first to perform a qualitative assessment to determine whether it is more-likely-than-not that goodwill is impaired, or the Company can bypass the qualitative assessment and proceed directly to the quantitative test by comparing the carrying amount, including goodwill, of the entity with its fair value. The goodwill impairment loss, if any, is the amount by which the carrying amount of an entity, including goodwill, exceeds its fair value. Any subsequent increase in goodwill value is not recognized. Goodwill is deemed to be impaired if the carrying amount exceeds its fair value. See further disclosures related to intangible assets and goodwill in *Note 4 - Goodwill and Other Intangible Assets*.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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### *Revenue Recognition and Deferred Revenue*

The Company follows Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent ASUs that modified Topic 606. The guidance clarifies the principles used to recognize revenue for all entities and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled.

The Company follows the accounting policy where all the services provided by the Company, including pre-opening services, are considered highly interrelated with the franchise license and as such are considered to represent a single performance obligation. Since the licensing of the franchising right is considered to be a single performance obligation, no allocation of the transaction price is required. Franchise and development fees are recognized as revenues ratably on a straight-line basis over the term of the franchise agreement commencing with the restaurant opening date.

The Company's primary cash flows associated with its franchise agreements are as follows:

- Franchise fees revenue - The Company executes franchise agreements that set the terms of its arrangements with each franchisee. Generally, the franchise agreement requires the franchisee pay an initial, non-refundable fee of \$40,000. Refer below for discussion of revenue recognition.
- Royalty revenues are collected from existing franchise owners. These fees are typically 5% of gross weekly sales. Refer below for discussion of revenue recognition.
- Development fund fee - The Company receives development fund fees from its franchisees based on 2% of gross weekly sales. The franchise agreements restrict the uses of the development fund fees for the purposes of promoting the Fuzzy's Taco Shop brand generally. The development fund is not an advertising fund but may be used by the Company to supplement franchisee marketing efforts including, but not limited to, advertising in markets that the Company deems appropriate, to fund certain system-wide training and marketing events, or to otherwise benefit the Fuzzy's Taco Shop brand. Refer to *Development fund* for discussion of recognition and classification in the financial statements.
- Technology fee - The Company, as part of the franchise agreement, provides technology support services. These fees are recognized as revenue when these services are performed.
- Other - The Company, as part of the franchise agreement, provides additional services, including a POS support fee, opening assistance and additional training. These fees are recognized as revenue when these services are performed.

### *Franchise fees revenue*

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. The franchise agreements include promises to provide a license of Company brand's intellectual property, a list of approved suppliers, certain training programs, an operation manual, and to maintain the development fund. These performance obligations are highly interrelated, not considered to be individually distinct, and therefore the Company accounts for them under Topic 606 as a single performance obligation.

Under Topic 606 and its practical expedient *ASU 2021-02*, recognition of these initial franchisee fees was deferred and recognized at a point in time when the pre-opening services have been provided to the franchisees and upon the restaurant opening. Franchise and development fees are recognized as revenues ratably on a straight-line basis over the term of the franchise agreement commencing with the restaurant opening date. In the event a franchise agreement or development agreement is

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

terminated, any remaining deferred fees are recognized in the period of termination.

The components of the change in deferred franchise fee revenue are as follows (in thousands):

	Fiscal Year Ended <u>December 29, 2024</u>	Fiscal Year Ended <u>December 31, 2023</u>
Balance at beginning of period	\$ 955	\$ 686
Fees received from franchise owners	323	275
Franchise fee revenue recognized	<u>(194)</u>	<u>(6)</u>
Balance at end of period	1,084	955
Less: current portion of deferred franchise fee revenue	<u>(23)</u>	<u>(10)</u>
Deferred franchise fee revenue, net of current portion	<u>\$ 1,061</u>	<u>\$ 945</u>

### *Royalty fees revenue*

Royalty revenues represent sales-based royalties that are related entirely to performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to our franchise owners to maintain the intellectual property being licensed. In fiscal 2021, the Company sold the franchise rights to a restaurant that was not previously in the franchise system. As a result of the negotiated terms of the transaction, royalty fees were effectively prepaid by the new franchisor. As such, these fees were deferred and were to be recognized into revenue over the life of that agreement. In March 2023, the franchised restaurant was closed resulting in the immediate recognition of the remaining deferred royalty fee revenue.

### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Property and equipment is depreciated over their estimated remaining useful lives (approximately three to five years). Additions that extend the lives of the assets are capitalized, while repairs and maintenance costs are expensed as incurred. When property and equipment are retired, the related cost and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is recognized.

### *Development Fund*

Development fund contributions and expenditures are reported on a gross basis in the Statements of Operations. The Company's obligation related to these funds is to administer the development fund, keep unused development fund in segregated bank accounts and use development fund for specified purpose of providing brand promotion on behalf of the franchisees. Any unspent funds collected will be due back to the franchisees in the event that the development fund is terminated. Development fund costs are expensed either as incurred or the first time the advertising takes place.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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Any excess or deficiency of development fund contributions compared to development fund expenditures is recognized in the fourth quarter of the Company's fiscal year. Any excess of revenue over expenditures is recognized only to the extent of previously recognized deficits. When development fund contributions exceed the related development fund expenses and there is no recovery of a previously recognized deficit of development fund contributions, development fund costs are accrued up to the amount of revenues. The development funds received are considered restricted cash as they are to be used for the specified purpose of providing brand promotion on behalf of the franchisees.

### *Income Taxes*

The Company, a disregarded entity for both federal and state tax filing purposes, elected to simplify the accounting for income taxes under Accounting Standards Update No. 2019-12, Income Taxes, which does not require tax allocation. Accordingly, its results are included in the consolidated tax returns of Dine Brands.

### *Leases*

The Company accounts for its leasing activities in accordance with accounting guidance for leases, codified in Accounting Standards Topic 842 ("ASC 842"), adopted as of the beginning of its 2022 fiscal year. In adopting ASC 842, the Company utilized practical expedients that allowed it to retain the classification, as either an operating lease or a finance lease, that was previously determined under prior accounting guidance for leases. The Company reassesses this classification upon renewal, extension or the modification of an existing lease agreement. The Company determines the appropriate classification upon entering into a new contract determined to contain a lease.

Operating lease assets and liabilities are recognized at the lease commencement date, or were recognized upon adoption of ASC 842. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent the Company's right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets.

The Company's lease agreements generally do not provide information to determine the implicit interest rate in the agreements. This requires the Company to make significant judgments in determining the incremental borrowing rate to be used in calculating operating lease liabilities as of the adoption or commencement date. The Company estimates the incremental borrowing rate primarily by reference to (i) yield rates on debt issuances by companies of a similar credit rating as the Company; (ii) U.S. Treasury rates as of the adoption or commencement date; and (iii) adjustments for differences between these rates and the lease term.

The cost of an operating lease is recognized over the lease term on a straight-line basis. The lease term commences on the date the Company has the right to control the use of the leased property. Certain leases may contain provisions for rent holidays and fixed-step escalations in payments over the base lease term, as well as renewal periods. The effects of the holidays and fixed-step escalations are reflected in rent expense on a straight-line basis over the expected lease term. Certain leases may include rent escalations based on inflation indexes and fair market value adjustments. Certain leases may contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant's sales. Subsequent escalations subject to such an index and contingent rental payments are recognized as variable lease expense.

## **2. Property and Equipment**

Property and equipment consist of the following at December 29, 2024 and December 31, 2023 (in thousands):

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

	<u>December 29, 2024</u>	<u>December 31, 2023</u>
Equipment and fixtures	\$ 106	\$ 104
Leasehold improvements	38	27
	<u>144</u>	<u>131</u>
Less: Accumulated depreciation	<u>(68)</u>	<u>(27)</u>
	<u>\$ 76</u>	<u>\$ 104</u>

### 3. Member's Capital

In accordance with the Company's LLC agreement, net income, losses and distributions are all allocated entirely to the Member.

### 4. Goodwill and Other Intangible Assets

In December 2022, Dine Brands purchased all the issued and outstanding membership interests in in FTO Holding Company, LLC ("FTOHC") for approximately \$80 million. The Company elected to apply the pushdown accounting guidance in ASU 2014-17 due to this change-in-control event.

Changes in the carrying amounts are as follows (in thousands):

	Tradename	Franchising Rights	Goodwill	Trademarks	Total
Balance at January 1, 2023	\$57,200	\$14,800	\$6,994	\$ -	\$78,994
Amortization expense	-	(781)	-	-	(781)
Purchase price adjustment	-	-	(68)	-	(68)
Balance at December 31, 2023	57,200	14,019	6,926	-	78,145
Additions	-	-	-	1	1
Amortization expense	-	(740)	-	-	(740)
Impairment loss	-	-	(6,926)	-	(6,926)
Balance at December 29, 2024	\$57,200	\$13,279	\$ -	\$1	\$70,480

Annual amortization expense for the next five fiscal years is estimated to be \$740 thousand per year. The weighted average remaining amortization period for intangible assets subject to amortization was 18.0 years and 19.0 years at December 29, 2024 and December 31, 2023, respectively.

As of December 29, 2024, gross and net carrying amounts of intangible assets are as follows (in thousands):

	Useful Life	Gross Amount	Accumulated Amortization	Net Amount
Tradename	Indefinite	\$ 57,200	\$ -	\$ 57,200
Franchising rights	20 years	14,800	(1,521)	13,279
Trademarks	Indefinite	1	-	1
Total		\$ 72,001	\$ (1,521)	\$ 70,480

As of December 31, 2023, gross and net carrying amounts of goodwill and intangible assets are as

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

follows (in thousands):

	Useful Life	Gross Amount	Accumulated Amortization	Net Amount
Tradename	Indefinite	\$ 57,200	\$ -	\$ 57,200
Franchising rights	20 years	14,800	(781)	14,019
Goodwill	Indefinite	6,926	-	6,926
<b>Total</b>		<b>\$ 78,926</b>	<b>\$ (781)</b>	<b>\$ 78,145</b>

The Company assesses goodwill for impairment in accordance with its policy described in *Note 1 - Summary of Significant Accounting Policies*. The Company evaluates its goodwill and indefinite-lived tradename for impairment annually in the fourth quarter of each year or on an interim basis if events or changes in circumstances between annual tests indicate a potential impairment. Definite-lived franchising rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable based on estimated undiscounted future cash flows.

In the fourth quarter of 2024, the Company noted the unfavorable trend in the Company's same-restaurant sales and a decrease in the Company's revenue compared to the same period of the prior year. Based on these unfavorable developments, the Company determined that indicators of impairment existed and that a test of goodwill for impairment should be performed in the fourth quarter of 2024. In the determination of fair value, the Company utilized valuation techniques that maximize the use of observable inputs and minimized the use of unobservable inputs to the extent possible. The fair value technique used in this instance was classified as Level 3, where unobservable inputs are used when little or no market data is available.

In performing the quantitative test of goodwill, the Company primarily used the income approach method of valuation that included the discounted cash flow method and the market approach that included the guideline public company method to determine the fair value of goodwill. Significant assumptions used to determine fair value under the discounted cash flow model included expected restaurant sales trends, future development plans, restaurant closures, cost of revenues, operating expenses, and an appropriate discount rate based on the Company's estimated cost of equity capital and after-tax cost of debt. The Company primarily used the relief of royalty method under the income approach method of valuation to determine the fair value of the intangible assets considered to have an indefinite life. Significant assumptions used to determine fair value under the relief of royalty method include future trends in sales, a royalty rate, and an appropriate discount rate based on the Company's estimated cost of equity capital and after-tax cost of debt to be applied to the forecast revenue stream.

As a result of performing the quantitative test of impairment, the Company recognized an impairment of its goodwill of \$6.9 million. The amount of goodwill impairment was determined as the amount by which the carrying amount of the goodwill exceeded the fair value of the Company's goodwill balance as estimated in the impairment test.

### 5. Related Party Transactions

The Company has a license agreement with Fuzzy's Taco Holdings LLC ("Holdings"), a wholly-owned subsidiary of FTOHC. Under the agreement, Holdings granted the Company a license to use the trade secrets, trademarks, and trade dress associated with Fuzzy's Taco Shop (the "Licensed IP Assets"). Holdings granted the Company a nonexclusive, revocable, non-transferable royalty-free, fully paid-up, sublicensable right and license to use the Licensed IP Assets.

From time to time, entities under common control of FTOHC may own Fuzzy's Taco Shop franchises. One Fuzzy's Taco Shop franchise was owned by such entities at December 29, 2024 and at December

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

31, 2023. The affiliate-owned shops paid development fund fees of \$27,350 and \$36,631 during fiscal years 2024 and 2023, respectively.

From time to time, the Company enters into related party transactions with Dine Brands and related affiliates, which includes disbursements made on its behalf, and charges for services described below. Balances due to Affiliates resulting from these transactions have no fixed repayment terms, do not include interest, and are settled periodically between the related parties. As of December 29, 2024 and December 31, 2023, the transactions between the Company and related affiliates accumulated to a due to affiliates of \$496,519 and \$327,123, respectively. Since settlement of balances between affiliates may be required, the amount due to affiliates is reflected as a liability in the Balance Sheets.

Dine Brands allocates costs of general and administrative services to the Company, including information technology, human resources, quality assurance, training, legal, payroll, audit, tax, and communication. These costs are allocated on a basis the Company believes to be reasonable, primarily proportional to its share of usage to these activities, where applicable. The Company cannot estimate with any reasonable certainty what the charges for similar transactions would have been on a stand-alone basis. The total amount of allocated costs charged to the Company of \$3.3 million and \$2.1 million for the years ended December 29, 2024 and December 31, 2023, respectively, is included in general and administrative expenses in the Statements of Operations.

The Company also acts as sub-guarantor for any debt that FTOHC may assume.

## 6. Commitments and Contingencies

### Leases

The Company leases office space and equipment under various operating leases with terms ending in 2026.

Future minimum lease payments under operating leases are as follows as of December 29, 2024 (in thousands):

2025	\$	134
2026		22
2027		-
2028		-
2029		-
Thereafter		-
Total minimum lease payments		156
Less: portion representing imputed interest		(6)
Total operating lease obligations		150
Less: current maturities		(128)
Long-term lease obligations	\$	22

Total operating lease cost approximated \$111,393 and \$122,510 for the fiscal years 2024 and 2023, respectively. Total payments on operating leases approximated \$129,721 and \$115,458 for the fiscal years 2024 and 2023, respectively. The weighted-average remaining lease term was 1.2 years and 2.2 years as of December 29, 2024 and December 31, 2023, respectively. The weighted-average discount rate was 6.5% as of December 29, 2024 and December 31, 2023.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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### *Purchase Commitments*

During the year ended December 27, 2015, the Company entered into agreements with two beverage suppliers under which, in conjunction with its franchises, it is obligated to purchase 2,100,000 gallons of syrup with their primary beverage supplier and 458,935 gallons of syrup with their secondary beverage supplier. The Company and its franchises may purchase any volume of product each year until the total volume commitment has been satisfied. Purchases are priced at the supplier's published chain account prices at the time of the purchase. As of December 29, 2024, the Company's franchise had remaining purchase commitments of approximately 785,000 gallons of syrup totaling \$17.3 million with their primary beverage supplier and approximately 97,000 gallons of syrup totaling \$2.1 million with the secondary beverage supplier.

### *Contingencies*

Various legal actions and claims which have arisen in the normal course of business may be pending against the Company from time to time. It is the opinion of management that the ultimate resolution of these contingencies will not have a material effect on the financial condition, results of operations or liquidity of the Company.

## 7. Receivables

Changes in the allowance for credit losses were as follows:

	<i>(In thousands)</i>
Balance at December 31, 2023	\$ 20
Bad debt expense	475
Write-offs	<u>(5)</u>
Balance at December 29, 2024	<u>\$ 490</u>

## 8. Subsequent Events

In preparing these financial statements, the Company evaluated events that occurred through March 20, 2025, the date these financial statements were available to be issued, for potential recognition or disclosure. There have been no material events noted during this period that would either impact the results reflected herein or the Company's results going forward.

# Fuzzy's Taco Opportunities, LLC

## Financial Statements

As of and for the fiscal years ended  
December 31, 2023 and January 1, 2023

# Fuzzy's Taco Opportunities, LLC

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## Financial Statements

As of and for the fiscal years ended December 31, 2023 and January 1, 2023

# Fuzzy's Taco Opportunities, LLC

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## **Report of Independent Auditors**

Member of Fuzzy's Taco Opportunities, LLC

### **Opinion**

We have audited the financial statements of Fuzzy's Taco Opportunities, LLC (the Company), which comprise the balance sheets as of December 31, 2023 and January 1, 2023, and the related statements of income, member's equity and cash flows for the year ended December 31, 2023 and for the period from December 13, 2022 through January 1, 2023, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and January 1, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023 and for the period from December 13, 2022 through January 1, 2023 in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood



that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

*Ernst & Young LLP*

March 20, 2024

## Financial Statements

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# Fuzzy's Taco Opportunities, LLC

## Balance Sheets

(in thousands)

	December 31, 2023	January 1, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,095	\$ 1,001
Restricted cash	1,885	1,049
Accounts receivable, net of allowance of \$20 and \$0 as of December 31, 2023 and January 1, 2023, respectively	767	1,165
Due from affiliates	—	467
Prepaid expenses and other current assets	391	456
<b>Total current assets</b>	<b>4,138</b>	<b>4,138</b>
Tradename	57,200	57,200
Franchising rights, net	14,019	14,759
Goodwill	6,926	6,994
Long-term portion of notes receivable	408	—
Operating lease right-of-use assets	222	306
Property and equipment, net	104	79
Other non-current assets	44	—
<b>Total assets</b>	<b>\$ 83,061</b>	<b>\$ 83,476</b>
<b>Liabilities and Member's Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,409	\$ 1,927
Due to affiliates	327	—
Development fund liability	91	562
Current maturities of operating lease obligations	116	96
Current portion of deferred franchise fee revenue	10	165
Current portion of deferred royalty fee revenue	—	18
<b>Total current liabilities</b>	<b>1,953</b>	<b>2,768</b>
<b>Long-term liabilities</b>		
Operating lease obligations, less current maturities	150	266
Deferred franchise fee revenue, net of current portion	945	521
Other non-current liabilities	171	323
<b>Total liabilities</b>	<b>3,219</b>	<b>3,878</b>
<b>Commitments and Contingencies (Note 6)</b>		
<b>Member's equity</b>	<b>79,842</b>	<b>79,598</b>
<b>Total liabilities and member's equity</b>	<b>\$ 83,061</b>	<b>\$ 83,476</b>

The accompanying notes are an integral part of these financial statements.

# Fuzzy's Taco Opportunities, LLC

## Statements of Income

(in thousands)

	Successor		Predecessor
	Fiscal Year Ended December 31, 2023	Period From December 13, 2022 Through January 1, 2023	Period From January 3, 2022 Through December 12, 2022
Revenues			
Franchise fees	\$ 6	\$ -	\$ 681
Royalty income	11,049	498	10,304
Development fund fees	3,775	181	3,759
Technology fees	750	36	730
Other	336	20	324
Total revenue	<u>15,916</u>	<u>735</u>	<u>15,798</u>
Costs and expenses			
Franchise expense	184	-	-
General and administrative	7,663	331	8,286
Development fund expenses	3,775	181	3,760
Depreciation and amortization	766	42	25
Total operating expenses	<u>12,388</u>	<u>554</u>	<u>12,071</u>
Other expense (income), net	<u>34</u>	<u>(1)</u>	<u>(3)</u>
Income before taxes	3,494	182	3,730
Income tax expense	<u>-</u>	<u>-</u>	<u>51</u>
Net income	<u>\$ 3,494</u>	<u>\$ 182</u>	<u>\$ 3,679</u>

The accompanying notes are an integral part of these financial statements.

# Fuzzy's Taco Opportunities, LLC

## Statements of Member's Equity

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*(in thousands)*

Balance at January 2, 2022	\$	(385)
Distributions		(3,411)
Net income		3,679

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Balance at December 12, 2022 (Predecessor)	\$	(117)
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Balance at December 13, 2022 (Successor)	\$	-
Contribution from Member		79,416
Net income		182

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Balance at January 1, 2023		79,598
Distributions		(3,250)
Net income		3,494

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Balance at December 31, 2023	\$	79,842
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*The accompanying notes are an integral part of these financial statements.*

# Fuzzy's Taco Opportunities, LLC

## Statements of Cash Flows

(in thousands)

	Successor		Predecessor
	Fiscal Year Ended December 31, 2023	Period From December 13, 2022 Through January 1, 2023	Period From January 3, 2022 Through December 12, 2022
Cash flows from operating activities			
Net income	\$ 3,494	\$ 182	\$ 3,679
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	766	42	25
Other	125	-	-
Changes in operating assets and liabilities:			
Accounts receivable	398	(475)	(295)
Prepaid expenses and other current assets	124	(13)	7
Operating lease assets and liabilities	(12)	(0)	57
Due to/from affiliates	893	73	6
Accounts payable and accrued expenses	(550)	94	446
Development fund liability	(471)	47	(496)
Deferred revenue	(70)	64	(198)
Net cash provided by operating activities	<u>4,697</u>	<u>14</u>	<u>3,231</u>
Cash flows from investing activities		-	-
Purchases of property and equipment	(51)		
Additions to long-term receivables	(482)		
Principal receipts from equipment contracts receivables	16		
Net cash used in investing activities	<u>(517)</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities			
Contribution from Member	-	2,036	-
Member distributions	(3,250)	-	(3,411)
Net cash used in financing activities	<u>(3,250)</u>	<u>2,036</u>	<u>(3,411)</u>
Net change in cash, cash equivalents and restricted cash	930	2,050	(180)
Cash, cash equivalents and restricted cash, beginning of period	<u>2,050</u>	<u>-</u>	<u>2,216</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 2,980</u>	<u>\$ 2,050</u>	<u>\$ 2,036</u>
Supplemental disclosure of cash flow information			
Cash paid for state income taxes	\$ -	\$ -	\$ 37
Non-cash operating lease right-of-use assets and liabilities	\$ -	\$ -	\$ 468
Net non-cash assets contributed from the Member	\$ -	\$ 77,380	\$ -

The accompanying notes are an integral part of these financial statements.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Nature of Activities*

Fuzzy's Taco Opportunities, LLC (the "Company") is a Texas limited liability company formed on May 6, 2008 for the purpose of selling franchises for the operation of casual dining restaurants that offer a specialized menu of Baja-style Mexican food. These restaurants operate under the name "Fuzzy's Taco Shop". As of December 31, 2023, there are shops operating in Arizona, Arkansas, Colorado, Florida, Georgia, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Ohio, Oklahoma, South Carolina, Texas, Virginia, Wisconsin and Wyoming. The Company recruits, trains and supports the development of these franchises and provides ongoing advertising support. The Company's corporate offices are located in Irving, Texas.

Prior to December 13, 2022 Experiential Brand, LLC ("Experiential") held a 100% membership interest in FTO Holding Company, LLC ("FTOHC"), which through its wholly-owned subsidiary FTO Strategic Company I, LLC (the "Member"), owns a 100% membership interest in the Company. On December 13, 2022 (the "Closing Date"), Dine Brands Global, Inc. ("Dine Brands"), a publicly traded company, acquired the 100% membership interest in FTOHC held by Experiential, a wholly-owned subsidiary of NRD Holding Company (a private company).

The Company elected to apply the pushdown accounting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-17, *Pushdown Accounting* (ASU 2014-17), related to its change-in-control event (as described above) on December 13, 2022. In accordance with ASU 2014-17, pushdown accounting may be applied each time there is a change-in-control event in which an acquirer obtains control of an acquiree. If an acquiree does not initially elect to apply pushdown accounting upon a change-in-control event, it can subsequently elect to apply pushdown accounting to its most recent change-in-control event in a later reporting period as a change in accounting principle. Once made, the election to apply pushdown accounting to a certain change-in-control event is irrevocable. Pushdown accounting requires measurement of the individual assets and liabilities of the acquired entity based on the measurement guidance in Accounting Standards Codification (ASC) 805, *Business Combinations* (ASC 805), including recognition of goodwill. However, any bargain purchase gain recognized by the acquirer should not be recognized by the acquirer in the acquiree's income statement, but rather as an adjustment to additional paid-in capital. Acquisition-related debt is recognized by the acquiree only if the acquired entity is required to recognize a liability for debt in accordance with other applicable guidelines.

#### *Fiscal Year*

The Company has a 52/53 week fiscal year that ends on the Sunday nearest to December 31 of each year. The 2023 year presented herein began on January 2, 2023 and ended on December 31, 2023. The 2022 year presented herein began on January 3, 2022 and ended on January 1, 2023. Both 2023 and 2022 fiscal years contained 52 weeks.

#### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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The financial statement presentation includes the financial statements of the Company with Experiential as its "Predecessor" for the periods prior to the Closing Date (the "Predecessor Period") and of the Company with Dine Brands as its "Successor" for the periods after the Closing Date (the "Successor Period"). The Successor Period includes the Company's results of operations and cash flows for the fiscal year ended December 31, 2023 and the period from December 13, 2022 through January 1, 2023.

The accompanying financial statements include a black line division that indicates that the Predecessor and Successor reporting entities shown are presented on a different basis and are, therefore, not comparable.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates used.

### *Cash and Cash Equivalents*

The Company considers all unrestricted, highly-liquid investments with an original maturity of three months or less to be cash equivalents.

### *Restricted Cash*

The Company receives development fund fees from its franchisees based on franchisee sales. The franchise agreements restrict the development fund fees for the purposes of promoting the brand. This is recorded as restricted cash on the balance sheet with a corresponding amount in the development fund liability. The Company also receives cash from gift card sales at franchisee locations. The funds are escrowed and paid out to each franchisee location when a customer redeems the gift card. The gift card fund is managed by the Company on behalf of its franchisees and the Company does not have claim to the gift card fund. The Development Fund is further described under Revenue Recognition and Deferred Revenue.

### *Concentration of Credit Risk*

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

As of December 31, 2023, two franchisees owned a total of 24 Fuzzy's restaurants, representing 18% of the Company's restaurants. Revenues from these franchisees represented 29% of the Company's total revenues for the year ended December 31, 2023. No other individual franchisee represented more than 10% of the Company's total revenue for the year ended December 31, 2023.

### *Accounts Receivable and Allowance for Credit Losses*

Accounts receivable consist of amounts due from franchisees for royalties, development fund, franchise fees and franchise support fees, credit card transactions pending settlement, and payments due from franchisees for technology installations at new locations. Management evaluates the adequacy of the allowance for doubtful accounts based on a periodic review of individual accounts. The primary factors considered in determining the collectability are collection history,

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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the aging of the accounts, and other specific information known to management that may affect collectability. Accounts deemed uncollectable are charged to the allowance.

Beginning with the Successor Period, the Company follows Dine Brands' accounting policy where the Company determines the allowance based on historical experience, current payment patterns and reasonable and supportable forecasts used in assessing the franchisees' ability to pay outstanding balances. The primary indicator of credit quality is delinquency, which is considered to be a receivable balance greater than 90 days past due. Allowance for doubtful accounts is continually reviewed. Past due balances are reviewed individually for collectability. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

### *Intangible Assets*

Intangible assets consist of a tradename and franchising rights. Franchising rights are stated at their estimated fair value at the date of acquisition, less amortization. Franchising rights are amortized over their estimated useful lives of 20 years using the straight-line method. Tradenames are stated at their estimated fair value at the date of acquisition less any recognized impairment losses, and trademarks acquired subsequent thereto, are not amortized, as their useful lives are considered indefinite, but are subject to annual impairment testing or more frequently if indicators are present. The Company believes no impairment existed at December 31, 2023 and January 1, 2023.

### *Goodwill*

Goodwill is recorded when the aggregate purchase price of an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. As a wholly-owned subsidiary of Dine Brands, the Company's goodwill is considered to have an indefinite life and is not subject to amortization. As such, the Company did not recognize any goodwill amortization expense through the Successor Period.

In testing goodwill for impairment, the Company has the option first to perform a qualitative assessment to determine whether it is more-likely-than-not that goodwill is impaired, or the reporting unit can bypass the qualitative assessment and proceed directly to the quantitative test by comparing the carrying amount, including goodwill, of the entity with its fair value. The goodwill impairment loss, if any, is the amount by which the carrying amount of an entity, including goodwill, exceeds its fair value. Any subsequent increase in goodwill value is not recognized. Goodwill is deemed to be impaired if the carrying amount of goodwill exceeds its fair value. During the Successor Period, there were no events or changes in circumstances indicating that the carrying amount recorded as of the Closing Date and December 31, 2023 that may not be recoverable; and thus, no impairment was recorded for the Successor Period. See further disclosures related to intangible assets and goodwill in Note 4.

### *Revenue Recognition and Deferred Revenue*

The Company follows Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent ASUs that modified Topic 606. The guidance clarifies the principles used to recognize revenue for all entities and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled.

FASB issued ASU 2021-02, *Franchisors - Revenue from Contracts with Customers (Subtopic 952-606)*, creating a practical expedient that simplifies the identification of performance obligations for private company franchisors for certain pre-opening services. If the practical expedient is elected, the pre-opening services provided by a franchisor to a franchisee can be accounted for as a single performance obligation, distinct from the franchise license. Pre-opening services per ASU 2021-02

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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are defined as follows:

1. Assistance in the selection of a site
2. Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
3. Training of the franchisee's personnel or the franchisee
4. Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
5. Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business
6. Inspection, testing, and other quality control programs

The Company elected to apply the practical expedient allowed by ASU 2021-02, and elected to account for all qualifying pre-opening activities as a single performance obligation. The revenues recognized associated with performing pre-opening services approximated the amount of the franchise fees charged to franchisees. As a result, the amounts subject to deferral and subsequent amortization is considered immaterial.

Beginning with the Successor Period, the Company follows Dine Brands' accounting policy where all the services provided by the Company, including pre-opening services, are considered highly interrelated with the franchise license and as such are considered to represent a single performance obligation. Since the licensing of the franchising right is considered to be a single performance obligation, no allocation of the transaction price is required. Franchise and development fees are recognized as revenues ratably on a straight-line basis over the term of the franchise agreement commencing with the restaurant opening date.

The Company's primary cash flows associated with its franchise agreements are as follows:

- Franchise fees revenue - The Company executes franchise agreements that set the terms of its arrangements with each franchisee. Generally, the franchise agreement requires the franchisee pay an initial, non-refundable fee of \$40,000. Refer below for discussion of revenue recognition.
- Royalty revenues are collected from existing franchise owners. These fees are typically 5% of gross weekly sales. Refer below for discussion of revenue recognition.
- Development fund fee - The Company receives development fund fees from its franchisees based on 2% of gross weekly sales. The franchise agreements restrict the uses of the development fund fees for the purposes of promoting the Fuzzy's Taco Shop brand generally. The development fund is not an advertising fund but may be used by the Company to supplement franchisee marketing efforts including, but not limited to, advertising in markets that the Company deems appropriate, to fund certain system-wide training and marketing events, or to otherwise benefit the Fuzzy's Taco Shop brand. Refer to *Development fund* for discussion of recognition and classification in the financial statements.
- Technology fee - The Company, as part of the franchise agreement, provides technology support services. These fees are recognized as revenue when these services are performed.
- Other - The Company, as part of the franchise agreement, provides additional services, including a POS support fee, opening assistance and additional training. These fees are recognized as revenue when these services are performed.

### *Franchise fees revenue*

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

an option to renew. The franchise agreements include promises to provide a license of Company brand's intellectual property, a list of approved suppliers, certain training programs, an operation manual, and to maintain the development fund. These performance obligations are highly interrelated, not considered to be individually distinct, and therefore the Company accounts for them under Topic 606 as a single performance obligation.

Under Topic 606 and its practical expedient *ASU 2021-02*, recognition of these initial franchisee fees was deferred and recognized at a point in time when the pre-opening services have been provided to the franchisees and upon the restaurant opening. Beginning with the Successor Period, franchise and development fees are recognized as revenues ratably on a straight-line basis over the term of the franchise agreement commencing with the restaurant opening date. In the event a franchise agreement or development agreement is terminated, any remaining deferred fees are recognized in the period of termination.

The components of the change in deferred franchise fee revenue are as follows (in thousands):

	Successor		Predecessor
	Fiscal Year Ended <u>December 31, 2023</u>	Period From December 13, 2022 Through <u>January 1, 2023</u>	Period From January 3, 2022 Through <u>December 12, 2022</u>
Balance at beginning of period	\$ 686	\$ 621	\$ 804
Fees received from franchise owners	275	65	498
Franchise fee revenue recognized	<u>(6)</u>	<u>-</u>	<u>(681)</u>
Balance at end of period	955	686	621
Less: current portion of deferred franchise fee revenue	<u>(10)</u>	<u>(165)</u>	<u>(145)</u>
Deferred franchise fee revenue, net of current portion	<u>\$ 945</u>	<u>\$ 521</u>	<u>\$ 476</u>

### *Royalty fees revenue*

Royalty revenues represent sales-based royalties that are related entirely to performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to our franchise owners to maintain the intellectual property being licensed. In fiscal 2021, the Company sold the franchise rights to a restaurant that was not previously in the franchise system. As a result of the negotiated terms of the transaction, royalty fees were effectively prepaid by the new franchisor. As such, these fees were deferred and were to be recognized into revenue over the life of that agreement. In March 2023, the franchised restaurant was closed resulting in the immediate recognition of the remaining deferred royalty fee revenue.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

Included in other non-current liabilities on the accompanying balance sheets, the components of the change in deferred royalty fee revenue are as follows (in thousands):

	Successor		Predecessor
	Fiscal Year Ended December 31, 2023	Period From December 13, 2022 Through January 1, 2023	Period From January 3, 2022 Through December 12, 2022
Balance at beginning of period	\$ 339	\$ 340	\$ 355
Royalty fee revenue recognized	(339)	(1)	(15)
Balance at end of period	-	339	340
Less: current portion of deferred royalty fee revenue	-	(18)	(18)
Deferred royalty fee revenue, net of current portion	\$ -	\$ 321	\$ 322

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

In the Predecessor periods, the estimated useful lives used to calculate depreciation follow:

Equipment and fixtures	7 years
Leasehold improvements	5 years

In the Successor period, property and equipment is depreciated over their estimated remaining useful lives (approximately three to five years). Additions that extend the lives of the assets are capitalized, while repairs and maintenance costs are expensed as incurred. When property and equipment are retired, the related cost and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is recognized.

### Development Fund

Development fund contributions and expenditures are reported on a gross basis in the Statements of Income. The Company's obligation related to these funds is to administer the development fund, keep unused development fund in segregated bank accounts and use development fund for specified purpose of providing brand promotion on behalf of the franchisees. Any unspent funds collected will be due back to the franchisees in the event that the development fund is terminated. Development fund costs are expensed either as incurred or the first time the advertising takes place. Any excess or deficiency of development fund contributions compared to development fund expenditures is recognized in the fourth quarter of the Company's fiscal year. Any excess of revenue over expenditures is recognized only to the extent of previously recognized deficits. When development fund contributions exceed the related development fund expenses and there is no recovery of a previously recognized deficit of development fund contributions, development fund costs are accrued up to the amount of revenues. The development funds received are considered restricted cash as they are to be used for the specified purpose of providing brand promotion on behalf of the franchisees.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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### *Advertising*

The Company expenses advertising costs as they are incurred. Advertising costs were \$130,575, \$488 and \$150,825 for the fiscal year 2023, the Successor Period from December 13, 2022 to January 1, 2023, and the Predecessor Period from January 3, 2022 to December 12, 2022, respectively, and are included in general and administrative expenses on the accompanying Statements of Income.

### *Income Taxes*

The Company, a disregarded entity for both federal and state tax filing purposes, elected to simplify the accounting for income taxes under Accounting Standards Update No. 2019-12, Income Taxes, which does not require tax allocation. Accordingly, its results are included in the consolidated tax returns of Dine Brands.

### *Leases*

The Company accounts for its leasing activities in accordance with accounting guidance for leases, codified in Accounting Standards Topic 842 ("ASC 842"), adopted as of the beginning of its 2022 fiscal year. In adopting ASC 842, the Company utilized practical expedients that allowed it to retain the classification, as either an operating lease or a finance lease, that was previously determined under prior accounting guidance for leases. The Company reassesses this classification upon renewal, extension or the modification of an existing lease agreement. The Company determines the appropriate classification upon entering into a new contract determined to contain a lease.

Operating lease assets and liabilities are recognized at the lease commencement date, or were recognized upon adoption of ASC 842. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent the Company's right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets.

The Company's lease agreements generally do not provide information to determine the implicit interest rate in the agreements. This requires the Company to make significant judgments in determining the incremental borrowing rate to be used in calculating operating lease liabilities as of the adoption or commencement date. The Company estimates the incremental borrowing rate primarily by reference to (i) yield rates on debt issuances by companies of a similar credit rating as the Company; (ii) U.S. Treasury rates as of the adoption or commencement date; and (iii) adjustments for differences between these rates and the lease term.

The cost of an operating lease is recognized over the lease term on a straight-line basis. The lease term commences on the date the Company has the right to control the use of the leased property. Certain leases may contain provisions for rent holidays and fixed-step escalations in payments over the base lease term, as well as renewal periods. The effects of the holidays and fixed-step escalations are reflected in rent expense on a straight-line basis over the expected lease term. Differences between amounts paid and amounts expensed are recorded as deferred rent. Certain leases may include rent escalations based on inflation indexes and fair market value adjustments. Certain leases may contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant's sales. Subsequent escalations subject to such an index and contingent rental payments are recognized as variable lease expense.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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### 2. Property and Equipment

Property and equipment consist of the following at December 31, 2023 and January 1, 2023 (in thousands):

	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Equipment and fixtures	\$ 104	\$ 53
Leasehold improvements	27	27
	<u>131</u>	<u>80</u>
Less: Accumulated depreciation	<u>(27)</u>	<u>(1)</u>
	<u>\$ 104</u>	<u>\$ 79</u>

### 3. Member's Capital

In accordance with the Company agreement, net income, losses and distributions are all allocated entirely to the Member.

### 4. Acquisition and Pushdown Accounting

On December 13, 2022, Dine Brands purchased all the issued and outstanding membership interests in FTOHC for approximately \$80 million. Dine Brands acquired FTOHC as part of the Company's goal to invest in a high growth concept to accelerate growth.

The Company elected to apply the pushdown accounting guidance in ASU 2014-17 due to the change-in-control event (see Note 1). Pushdown accounting requires the measurement of the individual assets and liabilities, including goodwill recognition, of the acquired entity based on the measurement guidance in ASC 805, whereby the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The excess of the purchase price over the net identifiable tangible and intangible assets acquired has been assigned to goodwill. A portion of the goodwill recorded in connection with the acquisition is expected to be deductible for income tax purposes. Fair values were estimated using level 3 inputs in accordance with ASC 820, *Fair Value Measurements and Disclosures*. Level 3 inputs for the nonfinancial assets included a valuation prepared by a third party that primarily utilized a combination of the income approach, cost approach and market approach.

The following table summarizes the estimated fair value of the identified assets acquired and liabilities assumed as of the Closing Date (in thousands):

Cash, receivables and other current assets	\$ 2,036
Receivables and other current assets	1,674
Property and equipment and other non-current assets	394
Tradename	57,200
Franchising rights	14,800
Goodwill	6,994
Accounts payable and other liabilities	(3,681)
Net assets acquired	<u>\$ 79,417</u>

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

The excess of the purchase price over the fair value of identifiable net assets acquired amounted to approximately \$7.0 million. The acquisition goodwill arises from the expected synergies from combining the operations of the Company and FTOHC. During the allowable allocation period in 2023, the Company recorded a \$67,533 purchase price adjustment.

As of December 31, 2023, gross and net carrying amounts of goodwill and intangible assets are as follows (in thousands):

	Useful Life	Gross Amount	Accumulated Amortization	Net Amount
Tradename	Indefinite	\$ 57,200	\$ -	57,200
Franchising rights	20 years	14,800	(781)	14,019
Goodwill	Indefinite	6,926	-	6,926
Total		\$ 78,926	\$ (781)	78,145

### 5. Related Party Transactions

The Company has a license agreement with Fuzzy's Taco Holdings LLC ("Holdings"), a wholly-owned subsidiary of FTOHC. Under the agreement, Holdings granted the Company a license to use the trade secrets, trademarks, and trade dress associated with Fuzzy's Taco Shop (the "Licensed IP Assets"). As consideration for this license, the Company paid Holdings a franchise license fee equal to twenty percent of the gross franchise fees received by the Company. Franchise license fees incurred during the Predecessor Period from January 3, 2022 to December 12, 2022 totaling \$101,200 are included in operating expenses on the accompanying statements of income. As of the Closing Date, Holdings granted the Company a nonexclusive, revocable, non-transferable royalty-free, fully paid-up, sublicensable right and license to use the Licensed IP Assets.

From time to time, entities under common control of FTOHC may own Fuzzy's Taco Shop franchises. At December 31, 2023 and January 1, 2023, one and three Fuzzy's Taco Shop franchises were owned by such entities, respectively. The affiliate-owned shops paid development fund fees of \$36,631, \$3,908 and \$67,245 during fiscal year 2023, the Successor Period and the Predecessor Period from January 3, 2022 to December 12, 2022, respectively.

From time to time, the Company enters into related party transactions with Dine Brands and related affiliates, which includes disbursements made on its behalf, and charges for services described below. Balances due to Affiliates resulting from these transactions have no fixed repayment terms, do not include interest, and are settled periodically between the related parties. As of December 31, 2023, the transactions between the Company and related affiliates accumulated to a due to affiliates of \$327,123. Since settlement of balances between affiliates may be required, the amount due to affiliates is reflected as a liability in the Balance Sheet.

Dine Brands allocates costs of general and administrative services to the Company, including information technology, human resources, quality assurance, training, legal, payroll, audit, tax, and communication. These costs are allocated on a basis the Company believes to be reasonable, primarily proportional to its share of usage to these activities, where applicable. The Company cannot estimate with any reasonable certainty what the charges for similar transactions would have been on a stand-alone basis. The total amount of allocated costs charged to the Company of \$2.1 million for the year ended December 31, 2023 is included in general and administrative expenses in the Statements of Income.

Prior to the Successor Period, the Company, FTOHC and the affiliate-owned shops paid expenses on each other's behalf throughout the year. Amounts related to such activity are reflected as due to affiliates or due from affiliates on the accompanying balance sheets. At January 1, 2023, there was \$466,583 due from affiliates.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

The Company also acts as sub-guarantor for any debt that FTOHC may assume.

### 6. Commitments and Contingencies

#### *Leases*

The Company leases office space and equipment under various operating leases with terms ending in 2026.

Future minimum lease payments under operating leases are as follows as of December 31, 2023 (in thousands):

2024	\$	130
2025		134
2026		22
2027		-
Thereafter		-
Total minimum lease payments		286
Less: portion representing imputed interest		(20)
Total operating lease obligations		266
Less: current maturities		(116)
Long-term lease obligations		\$ 150

Total operating lease cost approximated \$122,510, \$5,345 and \$106,903 for the fiscal year 2023, the Successor Period from December 13, 2022 to January 1, 2023, and the Predecessor Period from January 3, 2022 to December 12, 2022, respectively. Total payments on operating leases approximated \$115,458, \$10,188 and \$114,100 for the fiscal year 2023, the Successor Period from December 13, 2022 to January 1, 2023, and the Predecessor Period from January 3, 2022 to December 12, 2022, respectively. The weighted-average remaining lease term was 2.2 years and 3.2 years as of December 31, 2023 and January 1, 2023, respectively. The weighted-average discount rate was 6.5% and 5.6% as of December 31, 2023 and January 1, 2023, respectively.

#### *Purchase Commitments*

During the year ended December 27, 2015, the Company entered into agreements with two beverage suppliers under which, in conjunction with its franchises, it is obligated to purchase 2,100,000 gallons of syrup with their primary beverage supplier and 458,935 gallons of syrup with their secondary beverage supplier. The Company and its franchises may purchase any volume of product each year until the total volume commitment has been satisfied. Purchases are priced at the supplier's published chain account prices at the time of the purchase. As of December 31, 2023, the Company's franchises had purchased a total of 1,215,515 gallons of syrup contract-to-date with their primary beverage supplier and 364,556 gallons of syrup contract-to-date with the secondary beverage supplier.

#### *Contingencies*

Various legal actions and claims which have arisen in the normal course of business may be pending against the Company from time to time. It is the opinion of management that the ultimate resolution of these contingencies will not have a material effect on the financial condition, results of operations or liquidity of the Company.

# Fuzzy's Taco Opportunities, LLC

## Notes to Financial Statements

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### 7. Receivables

There was no change in the allowance for credit losses during the fiscal ended January 1, 2023. Changes in the allowance for credit losses during the fiscal year ended December 31, 2023 were as follows:

	<i>(In thousands)</i>
Balance at January 1, 2023	-
Bad debt expense	26
Write-offs	<u>(6)</u>
Balance at December 31, 2023	<u>\$ 20</u>

### 8. Subsequent Events

In preparing these financial statements, the Company evaluated events that occurred through March 20, 2024, the date these financial statements were available to be issued, for potential recognition or disclosure. There have been no material events noted during this period that would either impact the results reflected herein or the Company's results going forward.

**EXHIBIT E  
TO FUZZY'S TACO SHOP®  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES**

**LIST OF FUZZY'S TACO SHOP® FRANCHISEES (OPEN)**

as of ~~12-31-2023~~ 12-31-2024

Franchisee	Franchisee Contact	Address	City	State	Telephone
<a href="#">Auburn Tacos, LLC</a>		<a href="#">1678 College St.</a>	<a href="#">Auburn</a>	<a href="#">AL</a>	<a href="#">334-310-1744</a>
Taco Bout Us, LLC	<del>Hope Raggio</del>	4204 S JB Hunt Dr Suite S	Rogers	AR	479-849-5290
Gilbert Tacos, LLC	<del>Jeff York</del>	2050 E Williams Rd.	Gilbert	AZ	361-548-0925
<del>Tempe Tacos, RC Nevada LLC</del>		<del>Jeff York</del> <a href="#">140 East Cheyenne Rd. Suite 130</a>	<del>414 South Mill Avenue</del> <a href="#">Colorado Springs</a>	<del>Tempe</del> <a href="#">CO</a>	<del>AZ</del> <a href="#">719-653-3345</a> <del>361-548-0925</del>
<del>Zaiger &amp; Welch Holdings LLC</del>	<del>RBR Parker</del>	<del>John Zaiger</del> <a href="#">12231 Pine Bluffs Way</a>	<del>5760 Olde Wedsworth</del> <a href="#">Parker</a>	<del>Arvada</del> <a href="#">CO</a>	<del>817-313-0041</del> <a href="#">720-638-6030</a>
ZH Restaurant Investments 6, LLC	<del>John Zaiger</del>	16401 E Arapahoe Rd	Aurora	CO	<del>817-313-0041</del> <a href="#">303-699-5729</a>
RBR Castle Rock, LLC	<del>Mare Rogers+</del>	5700 New Abbey Lane	Castle Rock	CO	<del>970-817-0894</del> <a href="#">303-284-9963</a>
<del>ZH Restaurant Investments 4, LLC</del>	<del>John Zaiger</del>	<del>7562 S University</del>	<del>Centennial</del>	<del>CO</del>	<del>303-770-8226</del>
RBR Interquest, LLC	<del>Mare Rogers+</del>	1375 Interquest Parkway	Colorado Springs	CO	<del>970-817-0894</del> <a href="#">719-598-2554</a>
RC Fillmore, LLC	<del>Mare Rogers+</del>	3111 N Chestnut St	Colorado Springs	CO	<del>970-817-0894</del> <a href="#">719-375-1851</a>
RC Dublin, LLC	<del>Mare Rogers+</del>	5915 Dublin Boulevard	Colorado Springs	CO	<del>970-817-0894</del> <a href="#">719-388-8226</a>
<del>RC Nevada, LLC</del>	<del>Mare Rogers+</del>	<del>140 East Cheyenne Rd. Suite 130</del>	<del>Colorado Springs</del>	<del>CO</del>	<del>970-817-0894</del>
ZH Restaurant Investment <a href="#">Investments 5, LLC</a>	<del>John Zaiger</del>	3996 Central Park Blvd	Denver	CO	<del>817-313-0041</del> <a href="#">303-576-3228</a>
RC <a href="#">Investments, Restaurants LLC</a>	<del>Mare Rogers+</del>	1335 West Elizabeth St.	Fort Collins	CO	<del>970-817-0894</del> <a href="#">407-8226</a>
RCJ Restaurants, LLC	<del>Mare Rogers+</del>	<del>209</del> <a href="#">2909 E. Harmony Road</a>	Fort Collins	CO	<del>970-817-0894</del> <a href="#">407-8226</a>
RC Greeley, LLC	<del>Mare Rogers+</del>	4365 Centerplace Drive, Suite 100	Greeley	CO	<del>970-817-0894</del> <a href="#">339-3663</a>
RC Longmont, LLC	<del>Mare Rogers+</del>	130 A-300 S. Hover Road	Longmont	CO	<del>970-817-0894</del> <a href="#">303-848-4215</a>

<del>RBR Parker</del> <a href="#">Zaiger-Heath Holdings, LLC</a>	<del>Mare Rogers</del> <a href="#">+5760 Olde Wadsworth Blvd</a>	<del>12231 Pine Bluffs Way</del> <a href="#">Arvada</a>	<del>Parker</del>	CO	<del>970-817-0894</del> <a href="#">303-438-9997</a>
Zaiger & Welch Holdings II, LLC	<del>John Zaiger</del>	10280 Washington Street	Thornton	CO	<del>817-313-0041</del> <a href="#">303-252-8226</a>
ZH Restaurant Investments 3, LLC	<del>John Zaiger</del>	4301 Main St <del>Suite 100</del>	Westminster	CO	<del>817-313-0041</del> <a href="#">303-460-8226</a>
RBR Crossroads, LLC	<del>Mare Rogers</del>	4305 North Fairgrounds Ave	Windsor	CO	<del>970-817-0894</del> <a href="#">667-6874</a>
Twin Doubloons I, LLC	<del>Chris Franklin</del>	795 Gateway Dr.	Altamonte Springs	FL	<del>512-652-8745</del> <a href="#">407-790-7750</a>
<del>AJI Store 1, LLC</del>	<del>Ian Lieberman</del>	<del>2874 Providence Lakes Blvd.</del>	<del>Brandon</del>	FL	<del>813-335-9634</del>
<del>Cypress Grande, LLC</del>	<del>Bill Pissaris</del>	<del>854 Cypress Creek Rd., Ste 157</del>	<del>Fort Lauderdale</del>	FL	<del>954-289-8111</del>
AJI Store 3, LLC	<del>Ian Lieberman</del>	3950 S. Florida Ave.	Lakeland	FL	<del>813-335-9634</del> <a href="#">863-617-6163</a>
AJI Store 5, LLC	<del>Ian Lieberman</del>	19729 State Rd. 54	Lutz	FL	<del>813-335-9634</del> <a href="#">706-4242</a>
Kelly Allen and Kevin Allen Family, LLC	<del>Kevin Allen</del>	12241 E. Colonial Dr.	Orlando	FL	<del>641-891-4576</del> <a href="#">407-512-1536</a>
DAH University Hospitality, LLC	<del>David Hunt</del>	2515 University Parkway	Sarasota	FL	<del>941-915-5191</del> <a href="#">822-8933</a>
AJI Store 2, LLC	<del>Ian Lieberman</del>	5621 E. Fowler Ave.	<del>Temple Terrace</del> <a href="#">Tampa</a>	FL	<del>813-335-9634</del> <a href="#">644-5281</a>
<del>Enmark Stations, Inc.</del>	<del>Sean Fatzinger</del>	<del>7002 Hwy 21</del>	<del>Port Wentworth</del>	GA	<del>912-965-0411</del>
<del>JJC Des Moines</del> <del>+Knight Tacos DSM, LLC</del>	<del>Corey Butcher</del>	300 <del>W.</del> Martin Luther King Jr. Parkway	Des Moines	IA	<del>214-957-3698</del> <a href="#">515-280-3898</a>
Crunchy Munchies, LLC	<del>Shane Coyne</del>	4310 Vine Street	Hays	KS	<del>719-460-5758</del> <a href="#">785-261-0822</a>
Blue Line Tacos, LLC	<del>John Records</del>	1115 Massachusetts St.	Lawrence	KS	<del>817-676-5114</del> <a href="#">785-841-8226</a>
<del>Olathe Fish Tacos, LLC</del>	<del>Kelly Bachrodt</del>	<del>13505 S Mur Len</del>	<del>Olathe</del>	KS	<del>913-440-9715</del>
Antioch Fish Tacos, LLC	<del>Kelly Bachrodt</del>	8909 W. 95th St.	Overland Park	KS	<del>405-514-5769</del> <a href="#">913-291-2056</a>
<del>Blue Oasis Tacos, LLC</del>	<del>John Records</del>	<del>2614 SW 17th St.</del>	<del>Topeka</del>	KS	<del>817-676-5114</del>
ICT Taco Shop 1, LLC	<del>Darl Heffelbower</del>	306 N Rock Rd	Wichita	KS	316-684-8226

3	ICT Taco Shop 2, LLC	<del>Darl Heffelbower</del>	4521 E 21 <sup>st</sup> St.	Wichita	KS	316- <del>371-7123</del> <a href="tel:684-8227">684-8227</a>
3	ICT Taco Shop 3, LLC	<del>Darl Heffelbower</del>	10728 W. 21 <sup>st</sup> St. N	Wichita	KS	316-260-2701
3	H&H Hospitality Group, LLC	<del>Andrew Head</del>	4600 E Texas St.	Bossier City	LA	318-550-5639
4	JMJR, LLC	<del>Peter Fitzgerald*</del>	701 North Washington Ave Suite 125	Minneapolis	MN	952-210-4223
4	SBG Taco Columbia, LLC	<del>Andrew Levy+</del>	205 E Nifong	Columbia	MO	<del>917-689-7000</del> <a href="tel:573-818-2233">573-818-2233</a>
4	SBG Taco Manchester, LLC	<del>Andrew Levy+</del>	1288 Old Orchard Center	Manchester	MO	<del>917-689-7000</del> <a href="tel:636-686-7394">636-686-7394</a>
4	SBG Taco Westport, LLC	<del>Andrew Levy+</del>	302 West Port Plaza Drive	<del>Maryland Heights</del> <a href="tel:St.Louis">St. Louis</a>	MO	<del>917-689-7000</del> <a href="tel:314-878-8226">314-878-8226</a>
4	SBG <del>Taco</del> Webster, LLC	<del>Andrew Levy+</del>	8073 Watson Road	Webster Groves	MO	<del>917-689-7000</del> <a href="tel:314-968-8226">314-968-8226</a>
4	4G Holdings, <del>LLC</del> <a href="tel:LLC">LLC</a>	<del>Trey Ziegler</del>	3102 Hardy St	Hattiesburg	MS	<del>678-294-6348</del> <a href="tel:601-579-9668">601-579-9668</a>
4	R&R Salfiti Toledo, LLC	<del>Raja Salfiti</del>	3332 W Central Ave Ste C	Toledo	OH	<del>817-532-6112</del> <a href="tel:419-214-4291">419-214-4291</a>
4	Tavern Ventures Edmond, LLC	<del>Scott McKnight+</del>	1462 S. Bryant	Edmond	OK	<del>817-271-8899</del> <a href="tel:405-562-4800">405-562-4800</a>
4	Tavern Ventures MWC, LLC	<del>Scott McKnight+</del>	5835 SE 15 <sup>th</sup> St	Midwest City	OK	<del>817-271-8899</del> <a href="tel:405-931-3389">405-931-3389</a>
4	Tavern Ventures Moore, LLC	<del>Scott McKnight+</del>	825 SW 19th St Suite 13	Moore	OK	<del>817-271-8899</del> <a href="tel:405-378-2419">405-378-2419</a>
5	Tavern Ventures I, LLC	<del>Scott McKnight+</del>	752 Asp Avenue	Norman	OK	<del>817-271-8899</del> <a href="tel:405-701-1000">405-701-1000</a>
5	Tavern Ventures Chisholm Creek, LLC	<del>Scott McKnight+</del>	13230 Pawnee Dr.	Oklahoma City	OK	<del>817-271-8899</del> <a href="tel:405-286-5633">405-286-5633</a>
5	Tavern Ventures Bricktown, LLC	<del>Scott McKnight+</del>	208 Johnny Bench Drive	Oklahoma City	OK	<del>817-271-8899</del> <a href="tel:405-602-3899">405-602-3899</a>
5	Tavern Ventures Lakeside, LLC	<del>Scott McKnight+</del>	7401 N. May Avenue	Oklahoma City	OK	817-271-8899
5	Tavern Ventures Stillwater, LLC	<del>Scott McKnight+</del>	305 S. Washington St.	Stillwater	OK	<del>817-271-8899</del> <a href="tel:405-564-0433">405-564-0433</a>
5	Tavern Ventures Yukon, LLC	<del>Scott McKnight+</del>	1671 Shedeck Circle	Yukon	OK	<del>817-271-8899</del> <a href="tel:405-467-4410">405-467-4410</a>
5	Enmarket Stations, Inc.	Sean Fatzinger	448 Independence Blvd	Hardeeville	SC	912-659-9215

Clardy Ventures III, LLC	<del>Dean Clardy</del>	3351 Tanner Plaza Drive	Abilene	TX	940-465-0257
Clardy Ventures VI, LLC	<del>Dean Clardy</del>	2439 N Judge Ely Blvd.	Abilene	TX	940-465-0257
<del>Mulligan Foods 4, LLC</del>	<del>Todd Knight</del>	<del>709 W. Exchange</del>	<del>Allen</del>	<del>TX</del>	<del>214-244-7778</del>
Clardy Ventures IV, LLC	<del>Dean Clardy</del>	7408 SW 34 <sup>th</sup> Avenue	Amarillo	TX	940-465-0257
Mulligan Foods 8, LLC	<del>Todd Knight</del>	409 S. Central Expy	Anna	TX	214-244-7778
Taco Venture II, LLC	<del>Clint Bixler</del>	4201 W. Green Oaks Blvd.	Arlington	TX	214-392-5755
TEC Foods, LLC	<del>Eddie White</del>	510 East Abram	Arlington	TX	972-834-0800
SA TACO, LLC	<del>Eddie White</del>	5904 S Cooper St.	Arlington	TX	682-323-8490
Taxco Food Company, LLC	<del>Mike Tatari</del>	4105 S Beltline Road	Balch Springs	TX	817-233-3788
Murphy's Daughter 2, LLC	<del>Jeannie Murphy</del>	5655 Eastex Fwy	Beaumont	TX	214-435-0640
Harper's Food Store, LLC	<del>Matthew McCrane</del>	508 N Center Ave	Brownwood	TX	325-510-1999
CV VI, LLC	<del>Bill Cartmill</del>	125 East Renfro	Burleson	TX	817-521-7724
Taco Venture IV, LLC	<del>Eddie White</del>	4112 North Josey Lane	Carrollton	TX	972-834-0800
Green Meadow Holdings, LLC	<del>Mo Afzal</del>	2661 Midway Rd	Carrollton	TX	214-755-4401
<del>Nemec Restaurants, LLC</del>	<del>Larry Nemec</del>	<del>1712 Southwest Pkwy.</del>	<del>College Station</del>	<del>TX</del>	<del>713-557-0691</del>
AZA Royal Lane, LLC	<del>Zahid Kassem</del>	10910 N Central Expy	Dallas	TX	469-226-3421
AZA Deep Ellum, LLC	<del>Zahid Kassem</del>	2704 Elm Street	Dallas	TX	469-226-3421
AZA Love Field, LLC	<del>Zahid Kassem</del>	4740 West Mockingbird	Dallas	TX	469-226-3421
Dinkins Holdings, Decatur, LLC	<del>Kirk Dinkins</del>	109 N. State Street	Decatur	TX	817-233-3788
Taxco Food Company, LLC	<del>Mike Tatari</del>	4300 TX-91	Denison	TX	903-462-1482
University of North Texas	<del>UNT Kim Schroeder</del>	University of North Texas	Denton	TX	940-369-8597
DS Taco, LLC	<del>Eddie White</del>	2412 S. Interstate 35E	Denton	TX	940-488-4779

<del>FTS Texas Shop</del> 3 Denton Taco 1, LLC	<del>Mel Knight</del>	115 Industrial St.	Denton	TX	<del>214-402-8145</del> <del>940-380-8226</del>	
Mulligan Foods 5, LLC	<del>Todd Knight</del>	228 E Pleasant Run Rd.	DeSoto	TX	214-244-7778	
<u>Taxco Franchise Group (FGA)</u>		<u>2200 West Lake Bardwell Road</u>	<u>Ennis</u>	<u>TX</u>	<u>972-875-4666</u>	
Cartmill Ventures I, LLC	<del>Bill Cartmill</del>	1363 W Eules Blvd	Eules	TX	817-521-7724	
Green Meadow Holdings, LLC	<del>Mo Afzal</del>	13881 Midway Rd	Farmers Branch	TX	214-755-4401	
<del>Green meadow Holdings</del> Tacos for Life, LLC	<del>Mo Afzal</del>	5810 Long Prairie Rd.	Flower Mound	TX	972-369-2480	
Taco Venture IX, LLC	<del>Clint Bixler</del>	9180 North Freeway	Fort Worth	TX	214-392-5755	
DI Taco, LLC	<del>Eddie White</del>	2917 W. Berry Street	Fort Worth	TX	817-924-7943	
Tavern Tacos Bryant Irvin LLC	<del>Scott McKnight+</del>	5724 Bryant Irvin Rd	Fort Worth	TX	817-292-8226	
Tavern Ventures Camp Bowie LLC	<del>Scott McKnight+</del>	6353 Camp Bowie Blvd	Fort Worth	TX	817-989-8226	
Green Meadow Holdings, LLC	<del>Mo Afzal</del>	2575 Main St	Frisco	TX	214-755-4401	
Green Meadow Holdings, LLC	<del>Mo Afzal</del>	2930 Preston Rd	Frisco	TX	75034	
<del>CJW Partners, LLC</del> Bangrica, Inc	<del>Carl Worthington</del>	115 W Pearl St	Granbury	TX	817-999-0707	
GP <del>Tacos</del> Taco, LLC	<del>Eddie White</del>	3144 South Highway 161	Grand Prairie	TX	972-834-0800	
Cartmill Ventures II, LLC	<del>Bill Cartmill</del>	2030 Glade Road	Grapevine	TX	817-521-7724	
<del>ARGH Meyerland, LLC</del>	<del>Alykhan Bhagat+</del>	<del>10275 B South Post Oak</del>		<del>Houston</del>	<del>TX</del>	<del>214-415-2924</del>
Taco Venture VII, LLC	<del>Eddie White</del>	1000 W. John Carpenter Freeway	Irving	TX	972-834-0800	
Taco Venture XIV, LLC	<del>Clint Bixler</del>	6010 Azle Ave	Lake Worth	TX	214-392-5755	
<del>Nemee Restaurants, LLC</del>	<del>Larry Nemee</del>	<del>2660 Marina Bay Drive</del>		<del>League City</del>	<del>TX</del>	<del>713-557-0691</del>
Green Meadow Holdings, LLC	<del>Mo Afzal</del>	1288 W Main St	Lewisville	TX	<del>214-755-4401</del> <del>972-539-8226</del>	

Green Meadow Holdings, LLC	<del>Mo Afzal</del>	407 W Eldorado Pkwy	Little Elm	TX	214-755-4401
FA Tacos Limited Liability Company	<del>Will Tate</del>	310 E. Hawkins Parkway	Longview	TX	940-391-4663
Clardy Ventures II, LLC	<del>Dean Clardy+</del>	10101 Slide Road	Lubbock	TX	940-465-0257
Clardy Ventures I, LLC	<del>Dean Clardy+</del>	2102 Broadway	Lubbock	TX	940-465-0257
Taco Venture VI, LLC	<del>Eddie White</del>	1101 E. Debbie Lane	Mansfield	TX	972-834-0800
Mulligan Foods, LLC	<del>Todd Knight</del>	3190 S. Central Exwy.	McKinney	TX	214-244-7778
Mulligan Foods 6, LLC	<del>Todd Knight</del>	8031 W University Dr	McKinney	TX	972-886-0069
AZA Mesquite, LLC	<del>Zahid Kassem</del>	3501 Towne Crossing Blvd. Suite 200	Mesquite	TX	469-226-3421
CV IX, LLC	<del>Bill Cartmill</del>	513 George Hopper Rd	Midlothian	TX	817-521-7724
S&M Taco Shop, LLC	<del>Scott Davis</del>	4909 North Street	Nacogdoches	TX	214-205-5509
<a href="#">Taxco Food Company, LLC</a>		<a href="#">1955 N. Kings Hwy</a>	<a href="#">Nash</a>	<a href="#">TX</a>	<a href="#">903-255-7277</a>
Taco Venture X, LLC	<del>Clint Bixler</del>	5710 Rufe Snow Drive	North Richland Hills	TX	214-392-5755
Taxco Food Company, LLC	<del>Mike Tatarsi</del>	3070 NE Loop 286	Paris	TX	214-228-1312
Mulligan Foods, LLC	<del>Todd Knight</del>	2205 N. Central Exwy.	Plano	TX	214-244-7778
<del>SWS FTS, LLC</del>	<del>Steve Watkins</del>	<del>4740 W University Dr Suite 20</del>	<del>Prosper</del>	<del>TX</del>	<del>940-300-3003</del>
<del>ARGH Red Oak, LLC</del>	<del>Aly Khan Bhagat+</del>	<del>219 S Hwy 342</del>	<del>Red Oak</del>	<del>TX</del>	<del>214-415-2924</del>
Taco Venture XI, LLC	<del>Clint Bixler</del>	561 Campbell	Richardson	TX	214-392-5755
Taco Venture <del>XIII</del> <a href="#">VIII</a> , LLC	<del>Clint Bixler</del>	600 Bryon Nelson Blvd.	Roanoke	TX	214-392-5755
Taxco Food Company, LLC	<del>Mike Tatarsi</del>	117 West IH-30	Royse City	TX	214-228-1312
Clardy Ventures V, LLC	<del>Dean Clardy+</del>	4333 Sherwood Way	San Angelo	TX	940-465-0257
Bangrica, <a href="#">Inc</a>	<del>Mamun Mehdi+</del>	1004 Maple Street	Sanger	TX	817-300-7407

<del>+</del> Taco Venture III, LLC	<del>Clint Bixler</del>	480 W. Southlake Blvd.	Southlake	TX	214-392-5755
<del>+</del> CV <del>VH/VIII</del> , LLC	<del>Bill Cartmill</del>	265 East Washington	Stephenville	TX	817-521-7724
<del>+</del> Aprilis Unus, LLC	<del>Kristi Lowry</del>	7425 W. Adams Ae. Suite 100-120	Temple	TX	254-231-8001
<del>+</del> Tacos on Stateline, LLC	<del>Tommy Hicks</del>	4849 Texas Blvd.	Texarkana	TX	903-791-8226
<del>+</del> Tyler Taco Shop, LLC	<del>Scott Davis</del>	1871 Troup Highway	Tyler	TX	<del>214-205-5509</del> <del>903-597-3899</del>
<del>NO-L, LLC</del>	<del>JD King</del>	<del>1509 Hewitt Drive</del>	<del>Waco</del>	<del>TX</del>	<del>254-206-6944</del>
<del>NO-L, LLC</del>	<del>JD King</del>	<del>215 S. University Parks Dr. Suite 107</del>	<del>Waco</del>	<del>TX</del>	<del>254-206-6944</del>
<del>+</del> Bangrica, LLC	<del>Mamun Mehdi+</del>	791 N. Highway 77	Waxahachie	TX	817-300-7407
<del>+</del> Dinkins Holdings, LLC	<del>Kirk Dinkins</del>	1217 South Main St.	Weatherford	TX	817-233-3788
<del>+</del> Bearcat Tacos, LLC	<del>Kirk Dinkins</del>	149 Willow Bend Dr	Willow Park	TX	817-233-3788
<del>+</del> Mulligan Foods 2, LLC	<del>Todd Knight</del>	1125 West FM 544	Wylie	TX	214-244-7778
<del>Capitol Tacos, LLC</del>	<del>Pranav Shah</del>	<del>435 Merchant Walk Square Suite 600</del>	<del>Charlottesville</del>	<del>VA</del>	<del>434-242-0878</del>
<del>SBG Taco Weston, LLC</del>	<del>Andrew Levy+</del>	<del>2805 Schofield Avenue</del>	<del>Weston</del>	<del>WI</del>	<del>715-254-1678</del>
<del>+</del> Johnson Restaurant Group, Inc	<del>John Johnson+</del>	3243 Talon Drive Suite 400	Casper	WY	307-262-1735

~~+ Franchisee has the right to develop additional units under a Franchise Development Agreement.~~

~~\* Franchisee owns a Taqueria Location.~~

**LIST OF FORMER FUZZY'S TACO SHOP® ~~FRANCHISEES (SIGNED BUT NOT OPEN)~~ FRANCHISES**

**as of 12-29-2024**

**as of 12-31-2023**

	<b>Franchisee</b>	<b>Franchisee Contact</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Telephone</b>
<u>1.</u>	<u>Investments G &amp; G USA, LLC</u>		<u>854 West Cypress Creek Rd. #197</u>	<u>Fort Lauderdale</u>	<u>FL</u>	<u>954-289-8111</u>
<u>1.</u>	<u>FTSH League City, LLC</u>		<u>2660 Marina Bay Drive</u>	<u>League City</u>	<u>TX</u>	<u>214-415-4924</u>
<u>2.</u>	<u>FTSH College Station, LLC</u>		<u>1712 Southwest Pkwy</u>	<u>College Station</u>	<u>TX</u>	<u>214-415-4924</u>
<u>4.</u>	<u>Tempe Tacos, LLC</u>		<u>414 South Mill Avenue</u>	<u>Tempe</u>	<u>AZ</u>	<u>361-548-0925</u>
<u>5.</u>	<u>ZH Restaurant Investments 4, LLC</u>		<u>7562 S University</u>	<u>Centennial</u>	<u>CO</u>	<u>303-770-8226</u>
<u>6.</u>	<u>AJI Store 1, LLC</u>		<u>2874 Providence Lakes Blvd.</u>	<u>Brandon</u>	<u>FL</u>	<u>813-335-9634</u>
<u>7.</u>	<u>Enmark Stations, Inc.</u>		<u>7002 Hwy 21</u>	<u>Port Wentworth</u>	<u>GA</u>	<u>912-965-0411</u>
<u>8.</u>	<u>Olathe Fish Tacos, LLC</u>		<u>13505 S Mur-Len</u>	<u>Olathe</u>	<u>KS</u>	<u>913-440-9715</u>
<u>9.</u>	<u>Blue Oasis Tacos, LLC</u>		<u>2614 SW 17th St.</u>	<u>Topeka</u>	<u>KS</u>	<u>817-676-5114</u>
<u>10.</u>	<u>Enmark Stations, Inc.</u>		<u>448 Independence Blvd</u>	<u>Hardeeville</u>	<u>SC</u>	<u>912-659-9215</u>
<u>11.</u>	<u>CRAVEABLES ARGH- Red Oak, LLC</u>	<u>John Cassity</u>	<u>2540219 S Hwy 6342</u>	<u>Grand Junction Red Oak</u>	<u>CO TX</u>	<u>844-244-3562-214-415-2924</u>
<u>12.</u>	<u>NO L, LLC</u>		<u>1509 Hewitt Drive</u>	<u>Waco</u>	<u>TX</u>	<u>254-206-6944</u>
<u>13.</u>	<u>NO L, LLC</u>		<u>215 S. University Parks Dr. Suite 107</u>	<u>Waco</u>	<u>TX</u>	<u>254-206-6944</u>
<u>14.</u>	<u>SWS-FTS, LLC</u>		<u>4740 W University Dr Suite 20</u>	<u>Prosper</u>	<u>TX</u>	<u>940-300-3003</u>
<u>15.</u>	<u>ARGH - Meyerland, LLC</u>		<u>10275 B South Post Oak</u>	<u>Houston</u>	<u>TX</u>	<u>214-415-2924</u>
<u>16.</u>	<u>Mulligan Foods 4, LLC</u>		<u>709 W. Exchange</u>	<u>Allen</u>	<u>TX</u>	<u>214-244-7778</u>
<u>17.</u>	<u>Capitol Tacos, LLC</u>		<u>435 Merchant Walk Square Suite 600</u>	<u>Charlottesville</u>	<u>VA</u>	<u>434-242-0878</u>
<u>18.</u>	<u>SBG Taco Weston, LLC</u>		<u>2805 Schofield Avenue</u>	<u>Weston</u>	<u>WI</u>	<u>715-254-1678</u>

**LIST OF FORMER FUZZY'S TACO SHOP® FRANCHISEES**  
as of 12-31-2023

	<b>Franchisee</b>	<b>Contact</b>	<b>City</b>	<b>State</b>	<b>Last Known Business Telephone Number (or home number)</b>
1.	JJC ANKENY, LLC	Corey Butcher	Ankeny	IA	214-957-3698
2.	Taco Dirty to Me, LLC	Devin Range	Coralville	IA	319-899-4478
3.	SE MO Taco Investment I, LLC	Richard Phillips	Joplin	MO	817-538-2045
4.	PF MO, LLC	Tad Fugate	Kansas City	MO	678-294-6348
5.	SBG TACO St Charles, LLC	Andrew Levy	St. Charles	MO	917-689-7000
6.	Mulligan Foods 3, LLC	Todd Knight	Cedar Hill	TX	214-244-7778

There were no franchisees who have failed to communicate with us within 10 weeks of the issuance date of this disclosure document.

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

**EXHIBIT F  
TO FUZZY'S TACO SHOP®  
FRANCHISE DISCLOSURE DOCUMENT  
STATE ADDENDA**

**ADDITIONAL DISCLOSURES FOR THE  
FRANCHISE DISCLOSURE DOCUMENT OF  
FUZZY'S TACO OPPORTUNITIES, LLC**

The following are additional disclosures for the Franchise Disclosure Document of Fuzzy's Taco Opportunities, LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

**CALIFORNIA**

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

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

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

4. OUR WEBSITE, [www.fuzzystacoshop.com](http://www.fuzzystacoshop.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

5. The following language is added to the end of Item 6:

The highest rate of interest allowed by California law is 10% annually.

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

The Franchise Agreement requires you to sign a general release of claims upon transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

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

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

The Franchise Agreement requires binding arbitration. The arbitration will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our then-current principal place of business (currently, Irving, Texas). The costs of arbitration will be borne as provided in the Franchise Agreement. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Texas. This provision might not be enforceable under California law.

## **HAWAII**

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

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

## **ILLINOIS**

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

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

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

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

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and

20 of the Illinois Franchise Disclosure Act.

2. The following language is added to the end of the Franchise Disclosure Document:

For information about obtaining a liquor license in Illinois, visit this web site:  
[www2.illinois.gov/ilcc](http://www2.illinois.gov/ilcc)

## **MARYLAND**

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

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

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

The Franchise Development Agreement and Franchise Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor will enforce it to the extent enforceable.

3. The following sentence is added to the end of Item 17(v):

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

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

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

5. The following language is added to the end of the Franchise Disclosure Document:

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

## **MINNESOTA**

1. The following is added at the end of the chart in Item 6:

If your Restaurant operates in Minnesota, under Minnesota Statute 604.113 your penalty for an insufficient funds check will be limited to \$30 per occurrence.

2. The following is added at the end of Item 13:

Provided you have complied with all provisions of the Franchise Agreement applicable to the Proprietary Marks, Franchisor will protect your right to use the Proprietary Marks and will indemnify you from any loss, costs or expenses arising out of any claims, suits or demands regarding your use of the Proprietary Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

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

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

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document, Franchise Development Agreement or Franchise Agreement can abrogate or reduce any of Developer's or Franchisee's rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation or provision in the Franchise Development Agreement or Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

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

4. The following language is added to the end of the Franchise Disclosure Document:

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

## **NEW YORK**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005.**

**WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT.**

2. The following risk factor is added to the Special Risks to Consider About *This* Franchise page:

**Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

With regard to us, our parent, predecessor or affiliate, the persons identified in Item 2, or an affiliate offering franchises under our principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; or unfair or deceptive practices; or comparable allegations.

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

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

Neither we, our affiliate, predecessor, officers, or general partners or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document have, during the 10-year period immediately preceding the date of the Disclosure Document: (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 U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

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

We apply the initial franchise fee to defray our costs for franchisee screening and training, legal compliance, salary, and general administrative expenses and profits.

6. The following is added to Item 17:

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

7. The following is added to Item 17(d):

You may terminate the Franchise Agreement on any grounds available by law.

8. The following is added to Item 17(c) and Item 17(m):

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under the Franchise Agreement.

9. The following is added to Item 17(v) and 17(w):

However, the governing choice of law and choice of forum shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York.

## **NORTH DAKOTA**

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

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The following is added to the end of Item 17(r):

Covenants not to compete such as those mentioned above are generally considered unenforceable in North Dakota; however, Franchisor and you will enforce the covenants to the maximum extent the law allows.

3. Item 17(u) is deleted and replaced with the following:

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which Franchisor and you mutually agree.

4. Item 17(v) is deleted and replaced with the following:

You must sue us in a court in or nearest to our or our successors' or assigns' then-current place of business (currently, Irving, Texas), except that, subject to your arbitration obligation, and to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. Item 17(w) is deleted and replaced with the following:

Except as otherwise required by North Dakota law, the laws of the State of Texas will apply.

## RHODE ISLAND

1. The following paragraph is added to the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act. To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

## VIRGINIA

1. The following language is added to the end of the Franchise Disclosure Document:

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the franchise agreement or multi-unit agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

2. The following language is added to the end of Item 17(e):

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

## WASHINGTON

The Securities Division of the State of Washington Department of Financial Institutions requires the following language be added ~~at~~to the ~~end of Item 17~~Franchise Disclosure Document:

~~The Securities Division of the State of Washington Department of Financial Institutions requires the following language:~~

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. Conflict of Laws. In the event of a ~~conflict~~conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~Chapter~~chapter 19.100 RCW will prevail.

~~1.~~2. Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement ~~in~~or related agreements concerning your relationship with the franchisor.

including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may that~~ supersede the franchise agreement ~~in or related agreements concerning~~ your relationship with the franchisor. Franchise agreement provisions, including the areas of termination and renewal of your franchise. You may terminate your Franchise Agreement under any grounds permitted by those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

~~2.3.~~ Site of Arbitration, Mediation, and/or Litigation. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. General Release. A release or waiver of rights ~~executed by a~~ in the franchise agreement or related agreements purporting to bind the franchisee ~~may not include rights to waive compliance with any provision~~ under the Washington Franchise Investment Protection Act or any ~~rule rules or order orders~~ thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

~~3.10.~~ Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, 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, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~ in accordance with RCW 19.100.220(2).

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

11. Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for ~~inflation~~inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for ~~inflation~~inflation). As a result, any ~~provisions~~provision contained in the franchise agreement or elsewhere that ~~conflict~~conflicts with these limitations ~~are~~is void and unenforceable in Washington.

15. Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment

Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

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

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN CALIFORNIA**

**THIS RIDER TO THE FRANCHISE AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Agreement**”). This Rider is being signed because (a) (a) the offer or sale of the Restaurant is being made or was accepted in California, or (b) you are domiciled in California and the Restaurant will be operated in California.

2. **FRAUD IN THE INDUCEMENT.** The following language is added to the end of the Franchise Agreement:

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

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

**FUZZY’S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN HAWAII**

**THIS RIDER TO THE FRANCHISE AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

3. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Agreement**”). This Rider is being signed because (a) (a) the offer or sale of the Restaurant is being made or was accepted in Hawaii, or (b) you are domiciled in Hawaii and the Restaurant will be operated in Hawaii.

4. **FRAUD IN THE INDUCEMENT.** The following language is added to the end of the Franchise Agreement:

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

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

**FUZZY’S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

**THIS RIDER TO THE FRANCHISE AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Agreement**”). This Rider is being signed because (a) you are domiciled in the State of Illinois, or (b) the offer of the franchise is made or accepted in the State of Illinois and the Restaurant that you develop under your Franchise Agreement is or will be located in the State of Illinois.

2. **JURISDICTION AND VENUE.** Section 23.C of the Franchise Agreement is deleted in its entirety.

3. **WAIVER OF JURY TRIAL & CLASS ACTION; WAIVER OF PUNITIVE DAMAGES.** The following language is added to the end of Sections 23.E and 23.G of the Franchise Agreement:

However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/41 or Illinois regulations at Section 200.609.

4. **LIMITATIONS OF CLAIMS.** Section 23.F of the Franchise Agreement is amended by adding the following:

However, nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/27 or any other law of the State of Illinois, to the extent applicable.

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

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

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

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

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

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

**FUZZY'S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

**THIS RIDER TO THE FRANCHISE AGREEMENT** is made and entered into by and between **FUZZY'S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 ("**Franchisor**"), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ ("**you**").

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the "**Franchise Agreement**"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland; or (b) the Restaurant that you develop under your Franchise Agreement is or will be operated in the State of Maryland; or (c) the offer to sell is made in the State of Maryland; or (d) the offer to buy is accepted in the State of Maryland.

2. **RELEASES.** The following is added to the end of Sections 2.B(5) and 17.B(3) of the Franchise Agreement:

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

3. **AUTOMATIC TERMINATION.** The following sentence is added to the end of Section 18.A of the Franchise Agreement:

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

4. **JURISDICTION AND VENUE.** The following language is added to the end of Section 23.C of the Franchise Agreement:

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

5. **LIMITATIONS OF CLAIMS.** The following sentence is added to the end of Section 23.F of the Franchise Agreement:

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

6. **GOVERNING LAW.** The last sentence of Section 23.B of the Franchise Agreement is deleted and replaced with the following:

Except to the extent governed by the Federal Arbitration Act , the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), U.S. Copyright Act (17 U.S.C. Section 101 et seq.), or other federal laws in the United States, this Agreement shall be and all claims arising out of or related to the relationship created hereby shall be governed by and interpreted and construed under the substantive laws of the State of Texas, without regard to it conflicts of laws principles, except that (1) except that any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **MARYLAND ACKNOWLEDGMENT.** The following is added to the end of the Franchise Agreement:

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

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

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

**FUZZY’S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

**THIS RIDER TO THE FRANCHISE AGREEMENT** is made and entered into by and between **FUZZY'S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 ("**Franchisor**"), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ ("**you**").

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the "**Franchise Agreement**"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Restaurant that you will develop under the Franchise Agreement will be operated wholly or partly in the State of Minnesota; and/or (b) you either a resident of, domiciled in, or actually present in the State of Minnesota.

2. **METHOD OF PAYMENT.** The following language is added to the end of the first paragraph of Section 6.E of the Franchise Agreement:

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

3. **INFRINGEMENT; NOTICE OF CLAIMS.** The following sentence is added to the end of Section 13.F of the Franchise Agreement:

Provided you have complied with all provisions of this Agreement applicable to the Marks, Franchisor will protect your right to use the Marks and will indemnify you from any loss, costs or expenses arising out of any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

4. **RELEASES.** The following is added to the end of Sections 2.B(5) and 17.B(3) of the Franchise Agreement:

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

5. **SUCCESSOR TERM; DEFAULT AND TERMINATION.** The following is added to the end of Sections 2.B and Article 18 of the Franchise Agreement:

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

6. **GOVERNING LAW.** The following statement is added at the end of Section 23.B of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. **JURISDICTION AND VENUE.** The following language is added to the end of Section 23.C of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400j prohibit us, except in certain specified cases, from requiring litigation or arbitration to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

8. **WAIVER OF JURY TRIAL AND CLASS ACTION; WAIVER OF PUNITIVE DAMAGES.** If and then only to the extent required by the Minnesota Franchises Law, Sections 23.G and 23.F of the Franchise Agreement are deleted.

9. **INJUNCTIVE RELIEF.** Section 14.H of the Franchise Agreement is deleted and replaced with the following:

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

10. **LIMITATIONS OF CLAIMS.** The following is added to the end of Section 23.F of the Franchise Agreement:

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

11. **MINNESOTA ACKNOWLEDGMENT.** The following is added to the end of the Franchise Agreement:

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

[SIGNATURE PAGE TO FOLLOW]

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

**FUZZY'S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN NEW YORK**

**THIS RIDER TO THE FRANCHISE AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND**. Franchisor and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made in the State of New York; or (b) an offer to buy is accepted in the State of New York; or (c) if you are domiciled in the State of New York, the Restaurant is or will be operated in the State of New York.

2. **CONSENT TO JURISDICTION**. The following sentence is added to the end of Section 23.C of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law as amended, and the regulations issued thereunder.

3. **GOVERNING LAW**. The following sentence is added to the end of Section 23.B of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law as amended, and the regulations issued thereunder.

4. **TRANSFERS**. The following sentence is added to the end of Section 17.A of the Franchise Agreement:

However, to the extent required by applicable law, no transfer or assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under this Agreement.

5. **RELEASES**. The following language is added to Sections 2.B(5) and 17.B(3) of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provision of Article 33 of the General Business Law of the State of New York and the regulations issued there under shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

6. **TERMINATION**. The following sentence is added to the end of Section 18 of the Franchise Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

[SIGNATURE PAGE TO FOLLOW]

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

**FUZZY'S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN NORTH DAKOTA**

**THIS RIDER TO THE FRANCHISE AGREEMENT** is made and entered into by and between **FUZZY'S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 ("**Franchisor**"), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ ("**you**").

1. **BACKGROUND**. Franchisor and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the "**Franchise Agreement**"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made in the State of North Dakota; or (b) an offer to buy is accepted in the State of North Dakota; or (c) if you are domiciled in the State of North Dakota, the Restaurant that you develop under your Franchise Agreement is or will be operated in the State of North Dakota.

2. **RELEASES**. The following is added to the end of Section 2.B(5) and 17.B(3) of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **ARBITRATION**. The third sentence of the first paragraph of Section 23.A of the Franchise Agreement is amended to read as follows:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which Franchisor and you mutually agree.

4. **GOVERNING LAW**. The last sentence of Section 23.B of the Franchise Agreement is deleted and replaced with the following:

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), U.S. Copyright Act (17 U.S.C. Section 101 et seq.), or other federal laws in the United States, and except as otherwise required by North Dakota law, this Agreement shall be and all claims arising out of or related to the relationship created hereby shall be governed by and interpreted and construed under the substantive laws of the State of Texas, without regard to its conflicts of laws principles.

5. **JURISDICTION AND VENUE**. The following is added to the end of Section 23.C of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to your arbitration obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

6. **WAIVER OF JURY TRIAL & CLASS ACTION; WAIVER OF OF PUNITIVE DAMAGES**. To the extent required by the North Dakota Franchise Investment Law, Sections 23.E and 23.G of the Franchise Agreement is deleted.

7. **LIMITATIONS OF CLAIMS**. The following is added to the end of Section 23.F of the Franchise Agreement:

The statutes of limitations under North Dakota Law applies with respect to claims arising under the North Dakota Franchise Investment Law.

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

**FUZZY'S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN RHODE ISLAND**

**THIS RIDER TO THE FRANCHISE AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND**. Franchisor and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made in the State of Rhode Island; or (b) an offer to buy is accepted in the State of Rhode Island; or (c) if you are a resident of the State of Rhode Island and the Restaurant is or will be operated in the State of Rhode Island.

2. **CONSENT TO JURISDICTION**. The following language is added to the end of Section 23.C of the Franchise Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

3. **GOVERNING LAW**. The following language is added to the end of Section 23.B of the Franchise Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restriction 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 this Act. To the extent required by applicable law, Rhode Island will apply to claims arising under the Rhode Island Franchise Investment Act.

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

**FUZZY’S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO THE FRANCHISE AGREEMENT  
FOR USE IN VIRGINIA**

**THIS RIDER TO THE FRANCHISE AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because the Fuzzy’s Restaurant that you will operate under the Franchise Agreement will be located in Virginia.

2. **VIRGINIA RETAIL FRANCHISING ACT.** The following language is added to the end of the Franchise Agreement:

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

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

**FUZZY’S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT, FRANCHISE DISCLOSURE QUESTIONNAIRE, DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS**  
**FOR USE IN WASHINGTON**

~~THIS RIDER TO THE FRANCHISE AGREEMENT is made and entered~~

~~The provisions of this Addendum form an integral part of, are incorporated into by, and modify the Franchise Disclosure Document, the franchise agreement, and between FUZZY'S TACO OPPORTUNITIES, LLC, a Texas limited liability company whose principal~~all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business address is 4200 Regent Blvd., Suite C 210, Irving, Texas 75063 ("Franchisor"), \_\_\_\_\_ and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ ("you").

~~**BACKGROUND.** Franchisor and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the "Franchise Agreement"). This Rider is the subject of the sale is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer is directed into the State of Washington and is received where it is directed; or (b) you are a resident of the State of Washington; or (c) your Restaurant is or will to be located or operated, wholly or partly, in the State of Washington.~~

~~1. **WASHINGTON LAW.** The following paragraphs are added to the end of the Franchise Agreement:~~

~~The Securities Division of the State of Washington Department of Financial Institutions requires the following language:~~

~~1. **Conflict of Laws.** In the event of a ~~conflict~~conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~Chapter~~chapter 19.100 RCW will prevail.~~

~~1.2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement ~~in or related agreements concerning~~ your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may that~~ supersede the franchise agreement ~~in or related agreements concerning~~ your relationship with the franchisor ~~including the areas of termination and renewal of your franchise. You may terminate your Franchise Agreement under any grounds permitted by.~~ Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.~~

~~2.3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

4. **General Release.** A release or waiver of rights ~~executed by a~~ in the franchise agreement or related agreements purporting to bind the franchisee ~~may not include rights~~ to waive compliance with any provision under the Washington Franchise Investment Protection Act or any ~~rule~~rules or ~~order~~orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

~~3-~~10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, 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, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~ in accordance with RCW 19.100.220(2).

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

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties

is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

~~4.14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.~~

\$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

~~5.15. Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

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

**FUZZY'S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Signature of Franchisor Representative

\_\_\_\_\_  
Signature of Franchisee Representative

\_\_\_\_\_  
Title of Franchisor Representative

\_\_\_\_\_  
Title of Franchisee Representative

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

**RIDER TO FRANCHISE DEVELOPMENT AGREEMENT  
FOR USE IN ILLINOIS**

**THIS RIDER TO FRANCHISE DEVELOPMENT AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Development Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is being signed because (a) you are domiciled in the State of Illinois, or (b) the offer of the franchise is made or accepted in the State of Illinois and the Restaurants that you develop under your Franchise Development Agreement are or will be located in the State of Illinois.

2. **VENUE.** Section 14.3 of the Franchise Development Agreement is hereby deleted in its entirety.

3. **WAIVER OF JURY TRIAL & CLASS ACTION BAR; WAIVER OF PUNITIVE DAMAGES.** The following language is added to the end of Sections 14.5 and 14.6 of the Franchise Development Agreement:

However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/41 or Illinois Regulations at Section 200.609.

4. **LIMITATIONS OF CLAIMS.** Section 14.9 of the Franchise Development Agreement is amended by adding the following:

However, nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/27 or any other law of the State of Illinois, to the extent applicable.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added to the end of the Franchise Development Agreement if the Illinois Franchise Disclosure Act applies:

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

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

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

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

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Development Agreement.

**FUZZY'S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO FRANCHISE DEVELOPMENT AGREEMENT  
FOR USE IN MARYLAND**

**THIS RIDER TO FRANCHISE DEVELOPMENT AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Development Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Development Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland; or (b) the Restaurants that you develop under your Franchise Development Agreement are or will be operated in the State of Maryland; or (c) the offer to sell is made in the State of Maryland; or (d) the offer to buy is accepted in the State of Maryland.

2. **RELEASES.** The following is added to the end of Sections 2.1.3(e) and 8.2.5 of the Franchise Development Agreement:

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

3. **TERMINATION IN THE EVENT OF BANKRUPTCY OR INSOLVENCY.** The following sentence is added to the end of Section 9.1 of the Franchise Development Agreement:

This Section 9.1 may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

4. **GOVERNING LAW.** The last sentence of Section 14.2 of the Franchise Development Agreement is deleted and replaced with the following:

Except to the extent governed by the Federal Arbitration Act , the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), U.S. Copyright Act (17 U.S.C. Section 101 et seq.), or other federal laws in the United States, this Agreement shall be and all claims arising out of or related to the relationship created hereby shall be governed by and interpreted and construed under the substantive laws of the State of Texas, without regard to it conflicts of laws principles, except that (1) except that any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **VENUE.** The following language is added to the end of Section 14.3 of the Franchise Development Agreement:

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

6. **LIMITATIONS OF CLAIMS.** The following sentence is added to the end of Section 14.9 of the Franchise Development Agreement:

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

7. **RELEASES.** The following is added to the Franchise Development 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, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Development Agreement.

**FUZZY’S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO FRANCHISE DEVELOPMENT AGREEMENT  
FOR USE IN MINNESOTA**

**THIS RIDER TO FRANCHISE DEVELOPMENT AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Development Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Development Agreement. This Rider is being signed because (a) the Restaurants that you will develop under the Franchise Development Agreement will be operated wholly or partly in the State of Minnesota; and/or (b) you either a resident of, domiciled in, or actually present in the State of Minnesota.

2. **EVENTS OF TERMINATION.** The following is added to the end of Article 9 of the Franchise Development Agreement.

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

3. **RELEASES.** The following is added to the end of Sections 2.1.3(e) and 8.2.5 of the Franchise Development Agreement:

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

4. **GOVERNING LAW.** The following statement is added at the end of Section 14.2 of the Franchise Development Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **VENUE.** The following language is added to the end of Section 14.3 of the Franchise Development Agreement.

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400j prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80.C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **WAIVER OF JURY TRIAL & CLASS ACTION BAR; WAIVER OF PUNITIVE DAMAGES.** If and then only to the extent required by the Minnesota franchises law, Sections 14.5 and 14.6 of the Franchise Development Agreement is deleted.

7. **LIMITATIONS OF CLAIMS.** The following is added to Section 14.9 of the Franchise Development Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat.

Sec. 80C.17 more than 3 years after the cause of action accrues.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Development Agreement.

**FUZZY'S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO FRANCHISE DEVELOPMENT AGREEMENT  
FOR USE IN NEW YORK**

**THIS RIDER TO FRANCHISE DEVELOPMENT AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Development Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is being signed because (a) you are domiciled in the State of New York, or (b) the offer of the franchise is made or accepted in the State of New York and the Restaurants that you develop under your Franchise Development Agreement are or will be located in the State of New York.

2. **CONSENT TO JURISDICTION.** The following sentence is added to the end of Section 14.3 of the Franchise Development Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law as amended, and the regulations issued thereunder.

3. **GOVERNING LAW.** The following sentence is added to the end of Section 14.2 of the Franchise Development Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law as amended, and the regulations issued thereunder.

4. **TRANSFERS.** The following sentence is added to the end of Section 8.1 of the Franchise Development Agreement:

However, to the extent required by applicable law, no transfer or assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under this Agreement.

5. **RELEASES.** The following language is added to Sections 2.1.3(e) and 8.2.5 of the Franchise Development Agreement:

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provision of Article 33 of the General Business Law of the State of New York and the regulations issued there under shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

6. **TERMINATION.** The following sentence is added to the end of Section 9 of the Franchise Development Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of

Article 33 of the General Business Law of the State of New York.

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

**FUZZY'S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO FRANCHISE DEVELOPMENT AGREEMENT  
FOR USE IN NORTH DAKOTA**

**THIS RIDER TO FRANCHISE DEVELOPMENT AGREEMENT** is made and entered into by and between **FUZZY'S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 ("**Franchisor**"), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ ("**you**").

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Development Agreement dated \_\_\_\_\_, 20\_\_ (the "**Franchise Development Agreement**") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Development Agreement. This Rider is being signed because (a) an offer to sell is made in the State of North Dakota; or (b) an offer to buy is accepted in the State of North Dakota; or (c) if you are domiciled in the State of North Dakota, the Restaurants that you develop under your Franchise Development Agreement are or will be operated in the State of North Dakota.

2. **RELEASES.** The following is added to the end of Section 2.1.3(e) and 8.2.5 of the Franchise Development Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **ARBITRATION.** The third sentence of the first paragraph of Section 23.A of the Franchise Development Agreement is amended to read as follows:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which Franchisor and you mutually agree.

4. **GOVERNING LAW.** The last sentence of Section 14.2 of the Franchise Development Agreement is deleted and replaced with the following:

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), U.S. Copyright Act (17 U.S.C. Section 101 et seq.), or other federal laws in the United States, and except as otherwise required by North Dakota law, this Agreement shall be and all claims arising out of or related to the relationship created hereby shall be governed by and interpreted and construed under the substantive laws of the State of Texas, without regard to its conflicts of laws principles.

5. **VENUE.** The following is added to the end of Section 14.3 of the Franchise Development Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL & CLASS ACTION BAR; WAIVER OF PUNITIVE DAMAGES.** To the extent required by the North Dakota Franchise Investment Law, Sections 14.5 and 14.6 of the Franchise Development Agreement is deleted.

7. **LIMITATIONS OF CLAIMS.** The following is added to Section 14.9 of the Franchise Development Agreement:

The statutes of limitations under North Dakota law applies with respect to claims arising under the North Dakota Franchise Investment Law.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Development Agreement.

**FUZZY’S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO THE FRANCHISE DEVELOPMENT AGREEMENT  
FOR USE IN RHODE ISLAND**

**THIS RIDER TO THE FRANCHISE DEVELOPMENT AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Development Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Development Agreement. This Rider is being signed because (a) an offer to sell is made in the State of Rhode Island; or (b) an offer to buy is accepted in the State of Rhode Island; or (c) you are a resident of the State of Rhode Island and the Restaurants that you develop under your Franchise Development Agreement are or will be operated in the State of Rhode Island.

2. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 14.3 of the Franchise Development Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

3. **GOVERNING LAW.** The following language is added to the end of Section 14.2 of the Franchise Development Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restriction 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 this Act. To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

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

**FUZZY’S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO FRANCHISE DEVELOPMENT AGREEMENT  
FOR USE IN VIRGINIA**

**THIS RIDER TO FRANCHISE DEVELOPMENT AGREEMENT** is made and entered into by and between **FUZZY’S TACO OPPORTUNITIES, LLC**, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

1. **BACKGROUND.** Franchisor and you are parties to that certain Franchise Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “**Franchise Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is being signed because the offer of the franchise is made or accepted in the State of Virginia and Fuzzy’s Restaurants that you develop under your Franchise Development Agreement are or will be located in the State of Virginia.

2. **VIRGINIA RETAIL FRANCHISING ACT.** The following language is added to the end of the Franchise Development Agreement:

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

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

**FUZZY’S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RIDER TO FRANCHISE DEVELOPMENT AGREEMENT WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE QUESTIONNAIRE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS**

**FOR USE IN WASHINGTON**

~~THIS RIDER TO FRANCHISE DEVELOPMENT AGREEMENT~~ is made and entered into by and between ~~FUZZY’S TACO OPPORTUNITIES, LLC~~, a Texas limited liability company whose principal business address is 4200 Regent Blvd., Suite C-210, Irving, Texas 75063 (“**Franchisor**”), and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“**you**”).

**BACKGROUND.** Franchisor and you are parties to that certain Franchise Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “**Franchise Development Agreement**”) that has been signed concurrently with the signing

The provisions of this Rider. This Rider is annexed to and forms Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the Franchise Development Agreement. This Rider is being signed because contrary contained therein. This Addendum applies if: (a) the offer is directed into the State of to sell a franchise is accepted in Washington and is received where it is directed; or (b) you are the purchaser of the franchise is a resident of the State of Washington; and/or (c) the Restaurants that you develop under your Franchise Development Agreement are or will franchised business that is the subject of the sale is to be located or operated, wholly or partly, in the State of Washington.

1. ~~WASHINGTON LAW.~~ The following paragraphs are added to the end **Conflict of the Franchise Development Agreement:**

The Securities Division of the State of Washington Department of Financial Institutions requires the following language:

1. **Laws.** In the event of a ~~conflict~~ conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~Chapter~~ chapter 19.100 RCW will prevail.

~~1.2.~~ **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement ~~in or related agreements concerning~~ your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may that~~ supersede the franchise agreement ~~in or related agreements concerning~~ your relationship with the franchisor. Franchise agreement provisions, including ~~the areas of termination and renewal of your franchise. You may terminate your Franchise Agreement under any grounds permitted by~~ those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

~~2.3.~~ **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights ~~executed by a~~ in the franchise agreement or related agreements purporting to bind the franchisee ~~may not include rights~~ to waive compliance with any provision under the Washington Franchise Investment Protection Act or any ~~rule~~ rules or ~~order~~ orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

~~3-~~10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, 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, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~ in accordance with RCW 19.100.220(2).

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

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties

is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for ~~inflation~~inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for ~~inflation~~inflation). As a result, any ~~provisions~~provision contained in the franchise agreement or elsewhere that ~~conflict~~conflicts with these limitations ~~are~~is void and unenforceable in Washington.

4.15. Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

**FUZZY'S TACO OPPORTUNITIES, LLC**

**FRANCHISE OWNER:**

\_\_\_\_\_  
\_\_\_\_\_  
{Name}

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Signature of Franchisor Representative

\_\_\_\_\_  
Signature of Franchisee Representative

\_\_\_\_\_  
Title of Franchisor Representative

\_\_\_\_\_  
Title of Franchisee Representative

**NEW YORK REPRESENTATIONS PAGE**

**FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

## 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:

Stat	Effective Date
California	PENDING
Hawaii	PENDING
Illinois	PENDING
Indiana	PENDING
Maryland	PENDING
Michigan	PENDING
Minnesota	PENDING
New York	PENDING
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.

**EXHIBIT G  
TO FUZZY'S TACO SHOP®  
FRANCHISE DISCLOSURE DOCUMENT**

**RECEIPT**

## RECEIPT

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

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

Applicable state laws in (a) Michigan requires Fuzzy's Taco Opportunities, LLC to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale (b) Iowa require Fuzzy's Taco Opportunities, LLC to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale and (c) New York requires Fuzzy's Taco Opportunities, LLC to provide you the disclosure document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Fuzzy's Taco Opportunities, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state regulatory agency listed in Exhibit B. Franchisor's agents for service of process are listed in Exhibit B.

**Issuance Date:** ~~March 27, 2024, as amended on October 24, 2024~~ 28, 2025

Please identify the individual franchise seller who offered you a franchise in the space provided below:

<input type="checkbox"/> Jacob A Barden 10 W. Walnut St., Pasadena, CA 91103 (818) 637-5206	<input type="checkbox"/> _____ _____ _____	<input type="checkbox"/> _____ _____ _____
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I received a disclosure document dated ~~March 27, 2024, as amended on October 24, 2024~~ 28, 2025 that included the following Exhibits:

EXHIBIT A	Table of Contents of Manuals	EXHIBIT C-4	Consent to Transfer Agreement
EXHIBIT B	List of State Administrators / Agents for Service of Process	EXHIBIT D	Financial Statements
EXHIBIT C-1	Franchise Development Agreement	EXHIBIT E	List of Franchisees
EXHIBIT C-2	Franchise Agreement	EXHIBIT F	State Addenda
EXHIBIT C-3	General Release	EXHIBIT G	Receipt

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_ (if signing on behalf of a business entity)  
Entity Name: \_\_\_\_\_ (if signing on behalf of a business entity)  
Date: \_\_\_\_\_

Please return this receipt by mail to Fuzzy's Taco Opportunities, LLC at 4200 Regent Blvd., Suite C-210, Irving, Texas 75063, or by email to [fuzzy@fuzzystacoshop.com](mailto:fuzzy@fuzzystacoshop.com).

**RECEIPT**

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

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

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Entity Name: \_\_\_\_\_ (if signing on behalf of a business entity)  
Date: \_\_\_\_\_

Please keep this copy of the receipt for your own records.