

FRANCHISE DISCLOSURE DOCUMENT



Rusty Taco, Inc.
a Minnesota corporation
5500 Wayzata Boulevard, Suite 1600
Minneapolis, Minnesota 55416
952-593-9943
franchise@rtacos.com
www.rtacos.com

You will operate a uniquely designed restaurant that offers freshly prepared food made with quality, fresh ingredients inspired by the flavors of Mexico and Texas, along with an assortment of alcoholic and non-alcoholic beverages under the R TACO™ trade name, trademark, and business system (“Restaurant”) in an atmosphere designed to be a neighborhood gathering place.

Currently, it is our policy to award only multi-unit development rights. Franchisees who are new to the system must commit to develop at least three Restaurants according to the terms of our development agreement. The total investment necessary to develop the first R TACO™ Restaurant ranges from \$512,425 to \$782,540. This includes \$50,000 that must be paid to us or our affiliate, which includes the development fee equal to 100% of the initial franchise fee for the first Restaurant (\$25,000) and 50% of the initial franchise fee for the other two Restaurants to be developed under the development agreement. The total investment necessary to develop the second or subsequent R TACO™ Restaurant ranges from \$482,425 to \$757,540. This includes the total initial franchise fee of \$25,000 that must be paid to us or our affiliate.

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

You may wish to receive your franchise disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact us Rusty Taco, Inc., 5500 Wayzata Boulevard, Suite 1600, Minneapolis, Minnesota 55416; 952-593-9943.

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

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

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

Issuance Date: April 14, 2016

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit F for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY MEDIATION, ARBITRATION, AND/OR LITIGATION IN THE THEN-CURRENT CITY OF OUR PRINCIPAL BUSINESS OFFICE, WHICH IS CURRENTLY MINNEAPOLIS, MINNESOTA. OUT-OF-STATE MEDIATION, ARBITRATION, AND/OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE, ARBITRATE, AND/OR LITIGATE WITH US IN A STATE OTHER THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT STATE THAT MINNESOTA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. WE WERE FORMED ON AUGUST 11, 2014 AND HAVE A BRIEF OPERATING HISTORY. YOU MAY WANT TO CONSIDER THIS WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE OPPORTUNITY.
4. IF YOU BUY THIS FRANCHISE, YOU MUST COMMIT TO DEVELOP AT LEAST THREE RESTAURANTS.
5. 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.
6. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT CONTAIN PROVISIONS THAT LIMIT YOUR RIGHTS AND MAY NOT BE ENFORCEABLE IN ALL STATES, INCLUDING BUT NOT LIMITED TO A LIMITATION OF DAMAGES AND WAIVER OF JURY TRIAL.
7. THE FRANCHISOR'S AUDITED FINANCIAL STATEMENTS DATED DECEMBER 27, 2015 REFLECT THAT CURRENT LIABILITIES SUBSTANTIALLY EXCEED CURRENT ASSETS. PER THE AUDITED BALANCE SHEET, THE FRANCHISOR HAD A WORKING CAPITAL DEFICIENCY OF \$2,302,757.

R TACO

Franchise Disclosure Document | 2016

8. THE FEDERAL REGISTRATION OF OUR PRINCIPAL TRADEMARK IS PENDING, THEREFORE, WE DO NOT HAVE A FEDERAL REGISTRATION FOR OUR PRINCIPAL TRADEMARK. THEREFORE, OUR TRADEMARK DOES NOT HAVE AS MANY LEGAL BENEFITS AND RIGHTS AS A FEDERALLY REGISTERED TRADEMARK. IF OUR RIGHT TO USE THE TRADEMARK IS CHALLENGED, YOU MAY HAVE TO CHANGE TO AN ALTERNATIVE TRADEMARK, WHICH MAY INCREASE YOUR EXPENSES.

9. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise for referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: See State Effective Dates Page.

This is a document preview downloaded from FranchisePanda.com. The full document is available for free by visiting: <https://franchisepanda.com/franchises/rusty-taco>