

FRANCHISE DISCLOSURE DOCUMENT

Con Azucar Café Franchise, LLC,
a California limited liability company
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San Jose, CA
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The franchise offered is for the right to operate a Con Azucar Café franchised business offering Mexican inspired coffee shop offering a variety of coffees and teas and small bites including americano, lattes, sandwiches, and more using the Con Azucar Café System.

The total investment necessary to begin operation of a Con Azucar Café franchise is \$325,000 to \$455,000. This includes \$52,000 to \$54,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document 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. **Note, however, that no government agency has verified the information contained in this disclosure document.**

You may wish to receive your disclosure in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Alejandra Lucatero Gonzalez, Con Azucar Café Franchise, LLC at 101 E Santa Clara Street, San Jose, CA 95113 and (408) 202-4668.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. 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 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.

Issued: May 12, 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
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E-1 and E-2.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's discretion. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Con Azucar Café business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What is it like to be a Con Azucar Café franchisee?	Item 20 or Exhibits E-1 and E-2 list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 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 Michigan. 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 sub-franchisor.

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

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

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Michigan Department of Attorney General, P.O. Box 30215, Lansing, Michigan 48909 (517) 373-7117.

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

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

1. Out of State Dispute Resolution. The franchise agreement requires you to resolve disputes with us by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with us in California than in your own state.
2. Short Operating History. We are at an early stage of development and have a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. Unregistered Trademark. The primary trademark that you will use in your business is not federally registered. If the Franchisor's ability to use this trademark in your area is challenged, you may have to identify your business and its products/services by a different name. This change can be expensive and may reduce brand recognition of the products and services you offer.

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

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “we”, “us”, “our” or “Con Azucar Café” means Con Azucar Café Franchise, LLC, the franchisor of this offering. “You” or “your” means the person who buys the franchise and includes your owners if you are a corporation or other business entity.

This Disclosure Document outlines and summarizes some contractual obligations of both the Franchisor and the Franchisee which are found in the Franchise Agreement and other agreements. For ease of reference and understanding, these obligations may be paraphrased or described in general terms in this document.

Franchisor, Parents and Predecessors

Con Azucar Café Franchise, LLC is a California limited liability company that was organized on April 15, 2025. We do business as Con Azucar Café. Our principal business address is 101 E Santa Clara Street, San Jose, CA 95113. We have no predecessor or parent.

Other than as stated above, we are not in any other business, we have not conducted business in any other line of business, and we have not offered or sold franchises in any other line of business.

Our Affiliates/Licensees

Uvaa Café LLC is a California limited liability company that was organized on December 3, 2020. Uvaa Café LLC has operated a business similar to the business offered in this Disclosure Document in San Jose, CA since April 2022. Con Azucar Café, Inc. is a California corporation that was organized on April 21, 2022. Con Azucar Café, Inc. has operated a business similar to the business offered in this Disclosure Document in San Jose, CA since November 2023. Our affiliates do not offer franchises in any line of business or provide products or services to our franchisees.

Our Agent for Service of Process

Our agents for service of process are disclosed in Exhibit A.

General Description of the Franchise

We grant franchises for a business offering Mexican inspired coffee shop offering a variety of coffees and teas and small bites including americano, lattes, sandwiches, and more (the “Franchised Business”), under the “Con Azucar Café” trade name and service mark (the “Proprietary Marks”) using certain procedures, techniques, training methods, designs, layouts, products, business policies, and a body of knowledge pertaining to the establishment and operation of the Franchised Business (the “System”). The franchise offered is for the right to operate a Con Azucar Café business using the Proprietary Marks and the System. You must sign our standard franchise agreement (the “Franchise Agreement”) when you purchase a franchise.

Competition

The business market for coffee shops is highly developed and competitive. You will compete against other businesses that offer similar services, including franchised operations, national chains, and independently owned businesses.

Applicable Laws and Regulations

Your business may be subject to various federal, state, and local laws and regulations, including those that (i) establish general standards, specifications, and requirements for the construction, design, and maintenance of restaurant premises, (ii) regulate matters affecting the health, safety, and welfare of your customers, such as general health and sanitation requirements for restaurants, employee practices concerning the storage, handling, cooking, and preparation of food and beverages, restrictions on smoking, availability of and requirements for public accommodations, including restrooms, (iii) establish menu disclosure standards, and (iv) regulate the proper use, storage, and disposal of waste materials. There are other state and local laws, regulations and ordinances applicable to the operation and management of a Con Azucar Café business. You should investigate these laws and regulations, and keep apprised of changes that are made in areas that you service. You are solely responsible to investigate and determine licensing requirements in the area you would like to service before signing the Franchise Agreement. It is your sole responsibility to investigate and comply with these laws and regulations. We advise that you consult with an attorney to ensure compliance with all relevant laws.

ITEM 2 **BUSINESS EXPERIENCE**

Co-Owner: Alexander Garcia De la Luz

Alexander Garcia De la Luz has been Co-Owner of Con Azucar Café Franchise, LLC since its inception in April 15, 2025. From February 2022 to the present, Alexander Garcia De la Luz has been an owner of Con Azucar Café, Inc. operating Con Azucar Café businesses in San Jose, CA. From June 2018 to the present, Alexander Garcia De la Luz has been an owner of Tostadas in San Jose, CA. From June 2019 to the present, Alexander Garcia De la Luz has been an owner of Toast Café & Grill in San Jose, CA and Pleasanton, CA. From October 2022 to the present, Alexander Garcia De la Luz has been an owner of Tostadas Prime in Santa Clara, CA. From January 2024 to the present, Alexander Garcia De la Luz has been an owner of Spirit Brothers in San Jose, CA. From February 2025 to the present, Alexander Garcia De la Luz has been an owner of Asteroid Burgers & Wings in San Jose, CA.

Co-Owner: Alejandra Lucatero Gonzalez

Alejandra Lucatero Gonzalez has been Co-Owner of Con Azucar Café Franchise, LLC since its inception in April 15, 2025. From February 2022 to the present, Alejandra Lucatero Gonzalez has been an owner of Con Azucar Café, Inc. operating Con Azucar Café businesses in San Jose, CA. From March 2015 to March 2023, Alejandra Lucatero Gonzalez was an Associate Manager of Tesla in Fremont, CA.

Co-Owner: Uriel Soto Contreras

Uriel Soto Contreras has been Co-Owner of Con Azucar Café Franchise, LLC since its inception in April 15, 2025. From February 2022 to the present, Uriel Soto Contreras has been an owner of Con Azucar Café, Inc. operating Con Azucar Café businesses in San Jose, CA. From September 2019 to June 2023, Uriel Soto Contreras was a Project Manager of Metro Services Group in San Francisco, CA.

Co-Owner: Victor Garcia

Victor Garcia has been Co-Owner of Con Azucar Café Franchise, LLC since its inception in April 15, 2025. From February 2022 to the present, Victor Garcia has been an owner of Con Azucar Café, Inc. operating Con Azucar Café businesses in San Jose, CA. From June 2018 to the present, Victor Garcia has been an owner of Tostadas in San Jose, CA. From October 2022 to the present, Victor Garcia has been an owner of Tostadas Prime in Santa Clara, CA. From January 2024 to the present, Victor Garcia has been an owner of Spirit Brothers in San Jose, CA. From February 2025 to the present, Victor Garcia has been an owner of Asteroid Burgers & Wings in San Jose, CA.

Co-Owner: Ruben G Jimenez Duran

Ruben G Jimenez Duran has been Co-Owner of Con Azucar Café Franchise, LLC since its inception in April 15, 2025. From February 2022 to the present, Ruben G Jimenez Duran has been an owner of Con Azucar Café, Inc. operating Con Azucar Café businesses in San Jose, CA. From January 2019 to the present, Ruben G Jimenez Duran has been an owner of La Michoacana Plus in Bakersfield, CA. From January 2020 to the present, Ruben G Jimenez Duran has been an owner of Villa Punta del Cielo in Bakersfield, CA. From January 2020 to the present, Ruben G Jimenez Duran has been an owner of Lucha Frutos in Bakersfield, CA. From November 2023 to the present, Ruben G Jimenez Duran has been an owner of Meat Market in Bakersfield, CA. From March 2024 to the present, Ruben G Jimenez Duran has been an owner of La Chime in Bakersfield, CA.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchise fee of \$50,000 (the “Franchise Fee”). You must pay the Franchise Fee to us in full when you sign the Franchise Agreement. The Franchise Fee is fully earned and non-refundable upon payment.

Initial Product Purchase

You must purchase cups (hot & cold), souvenirs, coffee, bread, chilaquiles boxes, pastry boxes, pastry bags, torta bags, wax paper, mini bikes, and wooden boards from our affiliate, Con Azucar Café, Inc. Con Azucar Café, Inc. is the only approved supplier of cups (hot & cold), souvenirs, coffee, bread, chilaquiles boxes, pastry boxes, pastry bags, torta bags, wax paper, mini bikes, and wooden boards. The price for cups (hot & cold), souvenirs, coffee, bread, chilaquiles boxes, pastry boxes, pastry bags, torta bags, wax paper, mini bikes, and wooden boards is \$2,000 to \$4,000.

There are no other purchases from or payments to us or any affiliate that you must make before you open your Con Azucar Café franchise.

ITEM 6
OTHER FEES

Type of Fee Note 1	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Revenues from your Franchised Business over the preceding reporting period (the “Royalty Fee”).	We debit your account on the 10th day of each month, or on the next business day, for Gross Revenues for the preceding calendar month. The Royalty Fee will be paid through Electronic Funds Transfer (“EFT”).	
Local Advertising	The greater of 1% of Gross Revenues from your Franchised Business over the preceding reporting period or \$1,500.	As incurred.	All advertising content is required to be approved by us in advance.

Type of Fee Note 1	Amount	Due Date	Remarks
Brand Development Fund	1% of Gross Revenues from your Franchised Business over the preceding reporting period.	We debit your account on the 10th day of each month, or on the next business day, for Gross Revenues for the preceding calendar month. The Brand Development Fund will be paid through EFT.	
Renewal Fee	50% of the then current initial franchise fee.	Upon renewal.	Due upon signing your renewal franchise agreement
Additional Training	\$500 per person, per day.	As incurred.	
Attorneys' Fees	Varies.	10 days after written notice that fee has been assessed in accordance with the Manner of Payment.	Note 2
Audit	Cost of inspection plus the amount of the underpayment plus interest from the date such amount was due until received by Franchisor, paid at the rate of the lesser of 1.5% per month or the highest commercial contract interest rate allowed by law.	As incurred.	Amounts beyond the underpayment are due if the audit or any other inspection reveals an underpayment of 2% or more.
National Franchise Convention Fee	\$500	As incurred.	Payable to us to attend our Annual Franchise Convention.
Insufficient Funds	\$75 per occurrence.	As incurred.	
Interest Fee	Lesser of 1.5% per month or the highest commercial contract interest rate allowed by law.	15 days after written notice that fee has been assessed.	
Transfer Fee	50% of the then current initial franchise fee.	At the time of transfer.	

Type of Fee Note 1	Amount	Due Date	Remarks
Upgrade Oversight Fee	15% of the cost of furnishing and installing upgrades.	Paid to us 10 days after that fee has been assessed.	
Insurance	Varies depending on the amount of insurance premiums and other expenses incurred by us.	As incurred.	If you do not maintain insurance on the Franchised Business as we require, we may obtain the insurance and you shall reimburse us for all premiums and other expenses incurred by us to do so.
Indemnity	Actual amount of loss or expense incurred.	At the time incurred.	You must indemnify us and our affiliates from liability for any claimed based upon your operations of your Franchised Business
Costs and Attorney Fees	Actual costs incurred.	As incurred.	You shall pay our legal and other expenses incurred if we substantially prevail in any litigation between you and us.
Assistance in the Event of Death or Disability	Actual costs incurred.	As incurred.	You must pay our compensation and expenses in running your Franchised Business in the event of death or disability.

Note 1. All fees are uniformly imposed by, collected by and payable to us via EFT and are non-refundable. You must complete the ACH Authorization Form attached as Schedule 5 to the Franchise Agreement when you enter into the Franchise Agreement with us.

Note. 2 You must pay us a “Royalty Fee” by the 10th day of each month, or more frequently as the Company may designate.

“Gross Revenues” means all sales or revenues derived directly or indirectly from the Franchised Business. Gross Revenues also includes business interruption insurance proceeds. Gross Revenues does not include:

- (i) sales taxes collected from customers and paid to the appropriate taxing authority; and
- (ii) the amount of all coupons redeemed at the Franchised Business (but only if the coupons have been previously approved by the Company as provided in the Franchise Agreement and only if such coupons have been included in Gross Revenues).

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

FRANCHISE AGREEMENT

Type of Expenditure (Note 1)	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee	\$50,000	\$50,000	Check or electronic transfer	Upon signing the Franchise Agreement	Us
Training (Transportation and Lodging) (Note 2)	\$3,000	\$3,500	Check or credit card	Before opening	Airlines, hotels and restaurants
Rent, Prepays and Security Deposit (3 months)	\$15,000	\$21,000	Check	Before opening	Landlord
Construction of Leasehold Improvements	\$25,000	\$75,000	Check or credit card	Before opening	Other suppliers selected by you
Furniture, Fixtures, and Décor	\$45,000	\$75,000	Check or credit card	Before opening	Other suppliers selected by you
Initial Inventory	\$10,000	\$15,000	Check or credit card	Before opening	Other suppliers

Type of Expenditure (Note 1)	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
					selected by you
Kitchen Equipment	\$115,000	\$125,000			
Signage	\$5,000	\$11,750	Check or credit card	Before opening	Other suppliers selected by you
Business Licenses and Permits (Note 3)	\$725	\$1,250	Check or credit card	Before opening	Other suppliers selected by you
Professional Fees	\$1,275	\$1,500	Check or credit card	Before opening	Other suppliers selected by you
Equipment, TV, Cameras, Internet, Phones, and Computers	\$4,500	\$5,000	Check, credit card or electronic transfer	Before opening	Other suppliers selected by you
Business Insurance (3 months)	\$1,500	\$3,000	Check or credit card	Before opening	Other suppliers selected by you
Grand Opening Advertising	\$4,000	\$8,000	Check or credit card	Within one month of the opening of your Franchised Business	Other suppliers selected by you
Additional Funds for First 3 Months (Note 3)	\$45,000	\$60,000	Check or credit card	As incurred	Third parties
TOTAL (Note 4)	\$325,000	\$455,000			

Explanatory Notes:

1. Except as otherwise provided, none of the amounts payable to us or our affiliates in either table are refundable under any circumstances. All amounts payable to third parties will be paid pursuant to the terms of your agreement with those respective third parties.

2. There is no additional fee for initial training. This cost estimates expenses for travel, boarding, meals, salaries, and other miscellaneous out-of-pocket expenses associated with training for two individuals. More information regarding initial training can be found in Item 11 of this Disclosure Document.

3. This is an estimate of anticipated working capital that will be required during the first three months of operating your Franchised Business. This is only an estimate, and we cannot assure you that you will not incur additional expenses during the period. Our estimates do not include salary or compensation to you as the owner and operator of your Franchised Business and, accordingly you must account for personal funds that you will require. We have relied on the experience of our affiliate owned locations in making this estimate.

4. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that our standards and specifications of quality and service are maintained, and that, at all times, you must operate your Franchised Business in strict conformity with the methods, standards, specifications, and sources of supply that we designate and prescribe in our Operations Manual and various other confidential manuals and writings prepared by us for your use in operating a Franchised Business in accordance with the System. We may periodically change our standard and specifications in our sole discretion upon written notice to you or as may be specified by the Operations Manual.

Specifications may include minimum standards for quality, quantity, delivery, performance, design, appearance, durability, style, warranties, price range, and other related specifications. We consider these specifications to be of critical importance to the success of the System.

Advertising Material.

You must either use advertising templates which we make available or specify or obtain our written approval before placing any advertising.

Computer Hardware and Software.

You must purchase the computer hardware and software that we specify.

Furniture, Fixtures, Equipment and Signs.

You must purchase furniture, fixtures, equipment, and signs pursuant to our specifications or prior written approval.

Insurance.

You must purchase insurance in the types and amounts of coverage that we specify and we reserve the right to specify designated broker(s) or insurance carrier(s). At present, we require franchisees to purchase the following minimum insurance requirements:

1. Commercial general liability insurance policy, including products liability, combined single limit for bodily injury and property damage liability in the minimum amount of \$1,000,000 per occurrence and \$2,000,000 aggregate.
2. Business property insurance in the amount of \$50,000 per occurrence.
3. Workers' compensation insurance as required by local law.
4. Con Azucar Café Franchise, LLC must be listed as an additional insured and provide for written communication at least 30 days in advance of a cancellation of the policy.
5. A surety or fidelity bond or similar insurance policy covering franchisees and its employees is recommended.

Leased Location

You will need a site in which to operate the franchise. We furnish site selection guidelines. We require you to send to us any proposed lease and information as required by us to evaluate the site for our approval before you sign the lease. You may lease from any landlord.

Leasehold Improvements

You may purchase leasehold improvements from any supplier but must build out your location according to our specifications.

Signage

You must purchase signage according to our specifications.

Whether We or Our Affiliates Are Approved Suppliers.

Our affiliate, Con Azucar Café, Inc., is the only approved supplier of cups (hot & cold), souvenirs, coffee, bread, chilaquiles boxes, pastry boxes, pastry bags, torta bags, wax paper, mini bikes, and wooden boards. We and our affiliates are not currently an approved supplier of any other goods or services to franchisees.

Approval of Alternate Suppliers.

If you want to purchase or lease any supplies, materials, tools, products or services not previously approved in writing by us as acceptable or from a supplier not approved by us, you can request our approval in writing, at your sole expense. You may need to submit, among other things, sufficient samples, specifications, photographs, drawings and other related information in order for us to determine whether the items meet our specifications and certain information about

this proposed supplier. We may charge you or the supplier a fee to cover our costs to test its product for approval.

When considering and evaluating the approval of a particular supplier, among other things, we apply the following general criteria: ability to produce the products, services, supplies or equipment to meet both our standards and specifications for quality and uniformity and the customers' expectations; production and delivery capabilities and ability to meet supply commitments; financial stability; and the negotiation of a mutually satisfactory approved vendor or supplier agreement, copyright assignment and confidentiality agreement in a form satisfactory to us.

We will advise you within 30 days whether the proposed items and supplier(s) meet our specifications, and our approval will not be unreasonably withheld. The approval time may vary if we determine, in our independent judgment, that additional testing is needed. We will notify you in writing of our approval or disapproval and of revocation of approved suppliers. Suppliers must maintain our standards in accordance with written specifications and any modifications. If a supplier deviates from our specifications, we may terminate the supplier's status as an approved supplier.

Specifications.

We issue specifications to franchisees. We issue and modify the specifications by updating the Operations Manual.

Revenue from Franchisee Purchases.

We may, but do not currently, derive revenue or other material consideration from required purchases or leases by you. Our affiliate does not earn revenue or other material consideration from required franchisee purchases or leases.

In our last fiscal year ending December 31, 2024, we did not earn revenue or other material consideration from required purchases or leases by franchisees.

Required Purchases and Leases as a Proportion of Costs.

We estimate your required purchases and leases will represent 60-75% of your overall purchases and leases in establishing and operating the Franchised Business.

Supplier Payments to Us.

Designated suppliers may make payments to us from franchisee purchases.

In the fiscal year ended December 31, 2024, we did not yet receive any supplier rebates but may do so in the future.

Cooperatives.

We do not have any purchasing or distribution cooperatives.

Purchase Arrangements.

We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

Material Benefits

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

ITEM 9 **FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation	Section in Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	FA: Sections 2 and 5 ADA: Section 3	Item 11
b. Pre-opening purchases/leases	FA: Sections 5, 13 and 15 ADA: Section 3	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	FA: Sections 2, 3, 5, 8 and 10 ADA: Section 3	Items 5, 7, 8 and 11
d. Initial and ongoing training	FA: Section 8	Items 5, 6, 7 and 11
e. Opening	FA: Sections 4, 5, 11 and 13 ADA: Section 3	Item 11
f. Fees	FA: Sections 3, 4, 8, 10, 11, 12, 13, 15, 18, 21, 22 and 23 ADA: Sections 2 and 4	Items 5, 6, 7, 8, and 11
g. Compliance with standards and policies/Operations Manual	FA: Sections 6, 7, 9, 10 and 13	Items 8 and 11
h. Trademarks and proprietary information	FA: Sections 6, 7 and 9	Items 13 and 14
i. Restrictions on products/services offered	FA: Sections 6 and 13	Items 8, 11, 12 and 16
j. Warranty and customer service requirements	FA: Section 13	Not Applicable

Obligation	Section in Agreement	Item in Disclosure Document
k. Territorial development and sales quotas	ADA: Section 3	Item 12
l. On-going product/service purchases	FA: Section 13	Items 6, 8 and 11
m. Maintenance, appearance and remodeling requirements	FA: Sections 3, 10 and 13	Item 8
n. Insurance	FA: Section 15	Items 6, 7, and 8
o. Advertising	FA: Section 11	Items 6, 7, 8 and 11
p. Indemnification	FA: Section 21	Item 6
q. Owner's participation/management/staffing	FA: Sections 8 and 13	Item 15
r. Records and reports	FA: Section 12	Item
s. Inspections and audits	FA: Sections 6 and 12	Item 6
t. Transfer	FA: Sections 18 and 19; Schedule 1	Item 17
u. Renewal	FA: Section 4; Schedule 1	Item 17
v. Post-termination obligations	FA: Section 17; Schedule 2	Item 17
w. Non-competition covenants	FA: Sections 7, 9 and 17; Schedule 2	Item 17
x. Dispute resolution	FA: Section 23; Schedules 2 and 3	Item 17

ITEM 10 **FINANCING**

We do not offer direct or indirect financing. We do not guaranty any promissory note, lease or other obligation you may make to others.

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

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

Pre-Opening Obligations

Before you open your Franchised Business, we will:

- (1) Provide an initial training program. This training does not include any professional licenses, certification, or other training you must possess and/or complete before you can operate the Franchised Business. (Section 8.1 of the Franchise Agreement).

- (2) Provide to you opening assistance and guidance to assist you with any questions you may have in operating and establishing the Franchised Business. (Section 8.2 of the Franchise Agreement).
- (3) Provide to you, on loan, one copy of our Operations Manual or provide you with access to an electronic copy of the Operations Manual. The Table of Contents of the Operations Manual, along with number of pages devoted to each section, is included as Exhibit C to this Disclosure Document. (Section 9.1 of the Franchise Agreement). The Operations Manual contains a total of 70 pages.
- (4) Provide assistance and guidance in establishing prices for products and services. (Section 9 of the Franchise Agreement).
- (5) We provide assistance with obtaining equipment, signs, fixtures, opening inventory, and supplies. We provide specifications or a list of approved suppliers for these items. We do not deliver or install these items. (Section 13.2 of the Franchise Agreement).
- (6) We provide limited assistance to help you or your contractor conform the premises to local ordinances and building codes and obtain any required permits. We provide limited assistance to help you or your contractor construct, remodel, or decorate the premises. (Section 9.1 of the Franchise Agreement).
- (7) We provide assistance in the type and number of employees that should be hired. However, you are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees. (Section 9.1 of the Franchise Agreement).

Continuing Obligations

During the operation of your Franchised Business, we will:

- (1) Offer you advice, discuss problems, and offer general guidance by telephone and/or electronic correspondence, with respect to planning and operating the Franchised Business. (Section 14.1 of the Franchise Agreement).
- (2) Make available to you ongoing training as we think necessary. (Section 8.4 of the Franchise Agreement).
- (3) Provide you with modifications to the Operations Manual as they are made available to franchisees. (Section 9.2 of the Franchise Agreement).

Except as expressly disclosed in this Item, we have no obligation to develop products or services you will offer to your customers, hire, or train your employees, improve, and/or develop your franchised business, resolve operational problems encountered by you, or establish: (a) prices, or (b) administrative, bookkeeping, accounting, or inventory control procedures.

Site Selection

We provide site selection criteria to you to assist you in locating a site for the Franchised Business. We do not generally own the premises and lease it to you. We consider the following factors when reviewing a proposed site: (i) residential population, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) proximity to other franchised or affiliate locations, (vii) accessibility, (viii) traffic, (ix) size, (x) condition and character, (xi) parking, and (xii) available signage. (Franchise Agreement, Section 8.2).

You must secure a location for the Business within 45 days of the signing of the Franchise Agreement; this includes the requirement of obtaining our approval for your selected location. We will generally approve or deny your selected location within 10 days, but we maintain the right to take additional time if circumstances demand it. In addition, you must sign the lease or otherwise secure the legal right to occupy the location, meeting all the state and local specifications, within 15 days following our approval of such location. If you and we do not agree on a selected site in the permitted time, we can allow you more time or terminate the Franchise Agreement.

Time Until Commencement of Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise is approximately 210 to 270 days. Factors that may affect your beginning operations include the ability to secure permits, perform the buildout, obtain and install furniture, fixtures, and equipment, and hire and train employees. You must open your franchised business and be operational within 300 days from executing the Franchise Agreement. Nonetheless, we reserve the right to grant extensions to the Time Before Operations period at our sole and absolute discretion, we are in no way obligated to consider such extensions in any case. (Section 5.4 of the Franchise Agreement).

Local Advertising and Promotion

You must spend monthly for local advertising and promotion of the Franchised Business and the Proprietary Marks the greater of 1% of Gross Revenues from your Franchised Business over the preceding reporting period or \$1,500 in the area or territory where your franchise is located. We may review your books and records periodically to determine your expenditures for advertising and promotion. If we determine that you have not spent the requisite amount, we may require you to pay the unexpended amounts to us for spending on your behalf.

You must list and advertise the Franchised Business in such print or online directories as we specify utilizing our standard forms of listing and advertisements. We may, at our option, maintain one or more telephone numbers for the Franchised Business and, if we do maintain this number(s), you will be authorized and required to use this number(s) during the term of the Franchise Agreement. You must acknowledge that we have the sole rights to and interest in all these telephone number(s). We will notify you monthly of the cost of the telephone service and you must, within 5 days of your receipt of this bill, reimburse us for our costs in maintaining telephone numbers for the Franchised Business. If you do not so reimburse us, we may, at our

option, instruct the telephone service provider to terminate or transfer this telephone number(s) to us or our designee.

We are not required to spend any amount on advertising in the area or territory where you will be located.

Brand Development Fund

We will administer an advertising and marketing fund (the “Brand Development Fund”) for the advertising and marketing programs as we may deem necessary or appropriate. You must contribute to the Brand Development Fund in an amount equal to 1% of Gross Revenues from your Franchised Business over the preceding reporting period, payable together with the Royalty Fee due under the Franchise Agreement.

We will direct all advertising and marketing programs financed by the Brand Development Fund, with sole discretion over the creative concepts, materials and endorsements used, and the geographic, market and media placement and allocation. Currently the source of our marketing and advertising programs is our in-house personnel. The Brand Development Fund may be used to pay the costs of preparing advertising materials and administering national, regional and local advertising programs and public relations activities including creating direct mail and media materials which may include print, television, radio and billboards, formulating advertising and marketing programs, developing and maintaining website and internet based advertising and marketing programs, intranet development and ongoing operation, toll-free locator services, employing advertising agencies, providing brochures and other advertising and marketing materials, and participating in national or regional trade shows.

The Brand Development Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration of the Brand Development Fund and its advertising and marketing programs including conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to the Brand Development Fund. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all locations to the Brand Development Fund in that year and the Brand Development Fund may borrow from us or other lenders to cover deficits or invest any surplus for future use. If we do not spend all Brand Development Funds in the year in which they accrue, we will retain the money in the Brand Development Fund to spend in the future. We will furnish to you upon written request an unaudited annual report of the Brand Development Fund.

Although we will endeavor to utilize the Brand Development Fund to develop advertising and marketing materials and programs, and to place advertising that will benefit all franchises businesses, we undertake no obligation to ensure that expenditures by the Brand Development Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Brand Development Fund by locations operating in that Brand Development geographic area or that any franchise location will benefit directly or in proportion to its contribution to the Brand Development Fund from the development of advertising and marketing materials or the

placement of advertising. We are not required to spend any amount of the Brand Development Fund's money on advertising in your area or territory where your franchise is located.

All unspent monies on the date of termination will be distributed to us, our affiliates and our franchisees in proportion to their respective contributions to the Brand Development Fund during the preceding 12-month period.

DPS Security locations owned by us or companies related to us by common ownership contribute on the same basis to the Brand Development Fund as franchisees.

The Brand Development Funds shall not be used to solicit new franchise sales.

Franchisee Use of Own Advertising Material

You may only use advertising material prepared or previously approved by us, by submitting it to us for approval. If you do not receive written approval within fourteen days after the date of receipt by us of the materials, we will be deemed to have disapproved the materials. You will have access to corporate provided social media and the ability to use and post pursuant to our guidelines, but we will have master rights on such social media and can change and edit your posts. You also must abide by our guidelines with respect to any digital chat communication tools that you use.

Websites are deemed "advertising" under the Franchise Agreement and are subject to our approval. You are restricted from establishing a presence on, or marketing on the Internet without our written consent. We have an Internet website that provides information about the System and our franchises. All information posted on our website or any linked webpages must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, and co-branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, social media pages and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, our website. You are not permitted to use a domain name containing our marks in the URL. (Section 11.4 of the Franchise Agreement).

Grand Opening Advertising

Within one month of the opening of your Franchised Business, you must spend a minimum of \$4,000 to \$8,000 on local advertising and promotion of the opening of the Franchised Business in accordance with an opening marketing plan approved by us.

Regional Advertising Fund

Provided that a majority of the Con Azucar Café locations in your Regional Area agree to participate in the program, you must participate in and contribute your share to additional

advertising and promotional programs in your Regional Area through a Regional Advertising Fund. All Con Azucar Café locations contribute the same amount and any corporate owned outlets in an area would also contribute the same amount. We are responsible for administering the Fund. The Fund does not have to prepare annual or periodic financial statements or make them available for your review. We have the power to form, change, dissolve, or merge a Fund. “Regional Area” is defined as the area covered by the advertising medium (television, radio or other media) as recognized in the industry.

Advertising Councils or Cooperatives

There are currently no advertising councils or local or regional advertising cooperatives.

Computer Systems

You must purchase and use any hardware and software programs we designate. (Section 12.5 of the Franchise Agreement). Presently, we require you to purchase the following hardware and software:

Hardware
1 desktop or laptop computer with internet access and printer/ scanner/ copier; and Toast POS Hardware
Software
Toast POS System

The approximate cost of the hardware and software ranges from \$4,500 to \$5,000.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. You must maintain your computer systems in good working order and must replace, update, or upgrade your hardware systems as we require. There is no contractual limitation on the frequency or cost of such maintenance duties. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$500.

Independent Access to Information. We have, and you are required to provide, independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You also must provide to us 24-hour access to any video surveillance video stream via approved equipment. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. There are no contractual restrictions on our right to access your data.

We are not obligated to repair your computer system. No organization has the contractual right or obligation to provide maintenance, repairs, upgrades or updates. We recommend that you obtain a maintenance contract with a reputable organization for your computer system. You may be required to upgrade or update any computer hardware or software program during the term of the Franchise Agreement. There are no contractual limitations on the frequency or costs

associated with this obligation. Upgrades, support and maintenance could cost \$1,000 to \$2,000 or more annually.

Training Program

We provide you with an initial training program before you commence operations, covering the areas identified in the below table. Up to two employees of your choosing may also attend at your option. The time frames provided in the chart are estimates of the time it will take to complete training. We do not charge for the initial training. You must pay for all travel costs and living expenses for yourself and any of your attendees. If you replace your helper s/he must attend our training program. You will be charged for additional training, as provided for in Item 6. Your Franchised Business must at all times either be under your day-to-day supervision as the Owner/Operator, or by an approved manager who has satisfactorily completed our training program.

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction to Con Azucar Café	4 hours	4 hours	San Jose, CA
Understanding Con Azucar Café & its Menu	0 hours	8 hours	San Jose, CA
Permits, Coding Compliance and Safety	4 hours	0 hours	San Jose, CA
Facility Standards & Cleanliness	0 hours	8 hours	San Jose, CA
Customer Service	0 hours	8 hours	San Jose, CA
Opening and Closing Procedures	0 hours	8 hours	San Jose, CA
Food Preparation, Cooking & Handling	0 hours	10 hours	San Jose, CA
Do's and Don'ts	0 hours	8 hours	San Jose, CA
Marketing and Advertising	0 hours	8 hours	San Jose, CA
Totals	8 hours	62 hours	

Additional training shall be at a cost of \$500 per person per day if at our location, or \$500 per person per day if the training is at your location (plus costs of travel, air fare and incidentals). (Sections 8.1, 8.3, and 8.4 of the Franchise Agreement).

The training is provided by Alejandra Lucatero Gonzalez and Uriel Soto Contreras. Each has been involved with the Con Azucar Café model since its inception in February 2022.

The Operations Manual will be used as the principal instructional manual.

The person responsible for daily operations of your Franchised Business is required to successfully complete the training. You may also send one additional employee to training. Training for up to two people is provided without additional charge.

We do not currently require any additional training or refresher courses after the initial training; however, we may do so in the future.

ITEM 12 **TERRITORY**

The franchise is for the operation of one Franchised Business to be located at a site to be approved by both you and us within the state specified in your Franchise Agreement. Provided you are not in breach of your Franchise Agreement, we shall not establish another Franchised Business within a 3 mile radius of your approved location and any renewal (the "Territory"). No other Franchised Business shall be permitted to service customers within your Territory without your written consent. This prohibition includes us and our affiliates. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We may franchise or operate anywhere any other business using the same Proprietary Marks as licensed to you in your Franchise Agreement. We are allowed to operate and franchise anywhere any business under trademarks different from the Proprietary Marks licensed to you in your Franchise Agreement and are allowed to conduct anywhere any business using the Proprietary Marks or System on the Internet or by any other alternate channel of distribution. You do not receive any options, rights of first refusal or similar rights to acquire additional franchises.

We have used and reserve the right to use other channels of distribution, such as by the Internet, mail order, or catalog sales, to make sales anywhere using the Franchisor's principal trademarks. We have used and reserve the right to use other channels of distribution, such as by the Internet or by mail order or catalog to make sales anywhere of products or services under trademarks different from the ones the franchisees will use under the franchise agreement. We reserve the right to grant a non-traditional quick service outlet within your territory which will share its business premises with another business such as a convenience store, grocery store or service station or may be located in a school, institution, shopping mall, Walmart, Target, sports arena, fair or entertainment facility. There is no compensation that we must pay for soliciting or accepting orders from near your location.

You must focus your marketing efforts on promoting and enhancing the Franchised Business. You are prohibited from selling products or services by the Internet or by mail order or catalog, unless we first provide written approval. You may only selling products or services within the Territory. You do not have the right to use other channels of distribution, such as by the Internet or by mail order or catalog to make sales.

Neither the Franchisor nor any affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which sells or will sell goods or services similar to those the franchisee will offer.

If you want to relocate your Franchised Business, you must notify us in writing 60 days before the relocation. We reserve the right to refuse to approve a proposed relocation if we believe that the proposed relocation is for any reason not acceptable to us. Our judgment may be based on factors such as the proximity to existing or proposed locations owned by other franchisees or us, the suitability of the proposed facilities, compliance with our then current franchise location requirements, the competitiveness within the marketplace or other factors.

Continuation of your franchise rights does not depend on your achieving a certain sales volume, market penetration, or other contingency.

ITEM 13 **TRADEMARKS**

Pursuant to the terms of the Franchise Agreement, we will grant you the non-exclusive right and license to utilize the Proprietary Marks and those other marks identified in this Item 13 to operate your Franchised Business in accordance with the System.

We may supplement and modify the Proprietary Marks that you may or may not use in connection with the operations of your Franchised Business. You may only use the Proprietary Marks in the manner authorized by us in writing and pursuant to the terms of the Franchise Agreement. You may not use Proprietary Marks in connection with the name of your corporation, limited liability company or other corporate entity that you may establish in connection with the operations of your Franchised Business.

Within the Franchise Agreement, the term “Proprietary Marks” includes any other trade names, service marks, trademarks, designs, logos, slogans and commercial symbols now in existence or later adopted by us that are used in connection with the System. In the event that the license is terminated, your franchise rights will remain unaffected. No other agreements significantly limit our right to use or license the use of our Proprietary Marks.

The following is a description of the principal trademarks and service marks registered on the Principal Register of the United States Patent and Trademark Office:

DESCRIPTION OF MARK	SERIAL NUMBER	REGISTRATION
CON AZUCAR CAFE	97844358	July 9, 2024

DESCRIPTION OF MARK	SERIAL NUMBER	REGISTRATION
	97844375	August 13, 2024

We have filed all required Trademark registrations, fees, affidavits and maintenance documents as the same have become due.

No currently effective agreements significantly limit our rights to use or license the Proprietary Marks in any manner material to the franchise. We have no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or any state trademark administrator or court. We have no pending infringement, opposition or cancellation proceeding or pending material federal or state court litigation regarding our use or ownership rights in a trademark. We have no actual knowledge of any superior prior rights or infringing uses which could materially affect your use of such marks.

If any administrative or judicial proceeding arising from a claim or challenge to your use of any of our marks, you must immediately notify us, and we may take any such action as we deem appropriate in order to preserve and protect the ownership, identity and validity of the marks. We are only obligated to defend you from any claims arising from your use of our primary marks. If we decide to modify or discontinue the use of any mark and/or use one or more additional or substitute marks, you will be responsible for the tangible costs (such as replacing signs and materials) associated with such a change.

You are required to immediately notify us of any use of, or claims of rights to, a mark identical to or confusingly similar to our marks. We have the right, but not the obligation, to bring any action against any third party using such a similar mark. You are required to participation in any such action we bring against a third party at your own expense. We have the right to control any such litigation or administrative proceedings, including any settlement.

We have the right to use the Proprietary Marks. The Proprietary Marks are licensed to you by us and you shall use the Proprietary Marks only in the manner and to the extent specifically permitted by the Franchise Agreement. You do not acquire any ownership interest in the Proprietary Marks as a result of the Franchise Agreement, as a result of your use of the Proprietary Marks, or as a result of your use of the Proprietary Marks. Any use by you of the Proprietary Marks inures to our benefit. We reserve the right to modify or discontinue use of any of the Proprietary Marks or use one or more additional or substitute names or marks, if in our sole discretion it becomes advisable to do so. The System is identified by use of the Proprietary Marks as currently designated, or as may be designated by us in the future.

During and after the Term, you shall not directly or indirectly contest or aid in contesting the validity or ownership of the Proprietary Marks.

Any new concept, trademark, service mark, copyright, process, improvement, slogan, or recipe developed in the operation of your Franchise Business will become our property and we may utilize this information as we deem appropriate without compensation to you, including but not limited to disclosing it to other franchisees, filing for any trademark or service mark, or copyright registration in our name alone. If you develop any new concept, trademark, service mark, copyright, process, improvement, slogan, or recipe in the operation of your Franchised Business, you will promptly notify us and provide us with all reasonable documentation and information, without compensation, as we may require.

You may not use any mark in employment related materials and you must include a disclaimer that you and not us are the employer of all employees at your Franchised Business.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or registered copyrights are material to the franchise. We and our affiliates claim common law copyright protection of our Operations Manual and related materials although these materials have not been registered with the United States Registrar of Copyrights. The Operations Manual and related materials are considered proprietary and confidential and are considered the property of us and our affiliates and may be used by you only as provided in the Franchise Agreement. You may not use our confidential information in any unauthorized manner and must take reasonable steps to prevent its disclosure to others.

You will be entitled to use of the copyrighted and proprietary materials during the term of the franchise. There are no currently effective material determinations of the USPTO, the United States Copyright Office, or a court regarding the copyrighted materials. There are no agreements that significantly limit our rights to use or license the use of the copyrighted or proprietary materials. There is no provision in the Franchise Agreement specifically obligating us to protect your rights to use of the proprietary or copyrighted materials, but we will respond to this information as we deem appropriate. There are no infringing uses known to us which would materially affect your use of the proprietary and/or copyrighted materials.

If we decide that you should modify or discontinue using any of the copyright material, or if we decide that you should use one or more additional or substitute copyrights, you must comply with our directions in the time that we reasonably specify. Neither we nor any of our affiliates will have any obligation to reimburse you for the cost of comply with our directions. If so requested by us, you will discontinue the use of the subject matter covered by any copyright used in with the franchise.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE

ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You or fully-trained manager or a fully-trained assistant manager (the “Designated Manager”) selected by you and approved by us, must participate personally in the direct operation of the

Franchised Business. We do not require that the designated owner or other persons who directly or indirectly own an ownership interest in your business entity provide direct on-premises supervision.

Each Designated Manager must successfully complete those portions of our initial training program required for their positions in their entirety. We will provide initial training on the operation of a Franchised Business. You must pay for all travel and living expenses which you incur in connection with training. Training for up to two people is provided without additional charge. If you replace your Designated Manager, your replacement Designated Manager has to attend and satisfactorily complete our initial training program.

We may require certain individuals associated with your Franchised Business, including your owners, officers, directors, partners, and your managers, executives, employees, and staff may be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

If you are a business entity, each of your owners that are active in the Franchised Business at any time during the Term and any owner that has a beneficial ownership interest of 10% or more in you, must personally guarantee, jointly and severally, your obligations under the Franchise Agreement and agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement. This includes both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. The form of your Unlimited Guaranty and Assumption of Obligations is attached to the Franchise Agreement attached as Schedule 3.

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

You must offer and sell only those goods and services which we have approved. You must also offer all goods and services that we designate. All goods and services provided by you must be presented in accordance with our System Standards. We may periodically change the required and/or authorized products and services, and there are no limits on our right to do so. You must promptly implement these changes and must discontinue selling any products or services that we at any time decide to disapprove in writing.

You must use the Franchised Business premises only for operation of the Franchised Business and for no other unrelated purpose.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences.

We do not place restrictions on you with respect to who may be a customer of your Franchised Business.

You and all of your staff must present a clean, neat appearance and provide competent and courteous service to customers at all times.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise agreement	Summary
a. Length of the franchise term	Section 4.1	The initial term is 5 years.
b. Renewal or extension of the term	Section 4.2	If you have substantially complied with the Franchise Agreement, you have the right to renew for additional 5 year terms.
c. Requirements for franchisee to renew or extend	Section 4.2	Written notice of intent to renew, sign new franchise agreement and release, pay renewal fee, refurbish or remodel the premises, and replace the equipment to be in compliance with our then current standards. The new franchise agreement may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
d. Termination by franchisee	FA: Section 16.1	You may terminate the Franchise Agreement upon (1) our mutual agreement; (2) non-renewal; (3) a sale pursuant to the terms of this Agreement; or (4) under any ground permitted by law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable.
f. Termination by franchisor with cause	Section 16.2	We may terminate the Franchise Agreement only if you default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
g. "Cause" defined – curable	Section 16.2.2	If a default arises from your

Provision	Section in franchise agreement	Summary
defaults		failure to comply with a mandatory specification in the Franchise Agreement or Operations Manual, you can avoid termination of the Franchise Agreement if you cure the default within 30 days of receiving our notice of default, except for the defaults that require cure in a shorter time and non-curable defaults. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within 10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
h. “Cause” defined – non-curable defaults	Section 16.2.1	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely establish, equip and begin operations of the franchised business; fail to satisfactorily complete training; fail to maintain all required professional licenses, permits and certifications for more than 5 business days; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the

Provision	Section in franchise agreement	Summary
		Franchised Business; after notice to cure, fail to refrain from activities, behavior or conduct likely to adversely affect either party or the Franchised Business; use the Operations Manual, trade secrets or other confidential information in an unauthorized manner; if required, fail to have your owners, officers, directors, managers, other executives, employees and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-compete agreements; abandon the Franchised Business for 5 or more consecutive days; surrender or transfer control of the Franchised Business in an unauthorized manner; fail to maintain the Franchised Business under the supervision of a Designated Manager following your death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 2%; are insolvent; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; violate on 2 or more occasions any health, safety or other laws or operate the Franchised Business in a manner creating a health or safety hazard to customers, employees or the public; take any action reserved to us; fail to comply with applicable

Provision	Section in franchise agreement	Summary
		law after notice; repeatedly breach the franchise agreement or comply with specifications; or default under any other agreement with us (or an affiliate) so that we (or the affiliate) have the right to terminate the agreement.
i. Franchisee's obligations on termination/non-renewal	Section 17.1	Pay amounts owed; return the Operations Manual and Software Program and return or destroy all other materials; stop using Marks, System and confidential information; de-identify yourself from us; cancel assumed names; return to us any signs utilizing the Marks; provide us with the names, addresses, and telephone numbers of all customers; assign to us your telephone and facsimile numbers, and e-mail and internet addresses, websites, domain names, social media sites and search engine identifiers; assign your lease to us, at our option; adhere to non-competition provisions. Pay liquidated damages. Upon our request, refund deposits and fees, and take such other actions to ensure the orderly transition of the business.
j. Assignment of contract by franchisor	Section 18.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 18.2	Includes any type of transfer of the Franchise Agreement or assets or any ownership change.
l. Franchisor approval of transfer by franchisee	Section 18.2	You may not transfer your interest in any of the items listed in (k) above without our prior written consent. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the requirements in Section 18.2 (a)-

Provision	Section in franchise agreement	Summary
		(m).
m. Conditions for franchisor approval of transfer	Section 18.2	Transferee qualifies; all amounts due are paid in full; you are not in default; the transferee complies with training requirements; transferee has received required disclosure documents; then current form of Franchise Agreement signed; transferee assumes remaining obligations under your agreements; transfer fee paid; assets have been refurbished, remodeled or replaced; lessor consent to lease assignment, if necessary; Releases signed; guaranty of performance may be required; and right of first refusal declined by us. (also see r below).
n. Franchisor's right of first refusal to acquire franchisee's business	Section 19	We can match any offer for your business, except broker's fees are excluded. Cash may be substituted for any form of payment proposed.
o. Franchisor's option to purchase franchisee's business	Section 17.4	Except as described in (n) above, we do not have the right to purchase your franchised business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the franchised business for book value.
p. Death or disability of franchisee	Section 18.6	After the death or incapacity of an owner of the franchise, his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchise within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q. Non-competition	Section 7.3	You, your owners, and your

Provision	Section in franchise agreement	Summary
covenants during the term of the franchise		officers, directors, executives, managers, professional staff, and employees are prohibited from: attempting to divert any business or customer of the Franchised Business to a competitive business or causing injury or prejudice to the Marks or the System; owning or working for a competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.2	May not offer services similar to those offered by a, or solicitation of past customers, for two years within 25 miles of your former Con Azucar Café location or any other Con Azucar Café business.
s. Modification of the agreement	Sections 9.2, 22.7, and 22.8	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Operations Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/merger clause	Section 22.7	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.
u. Dispute resolution by arbitration or mediation	Section 23.9; Schedules 2 and 3	You must mediate and arbitrate claims against us (subject to applicable state law).
v. Choice of forum	Section 23.2; Schedules 2 and 3	Any mediation, litigation or arbitration must be pursued where our headquarters are located (subject to applicable state law).
w. Choice of law	Section 23.1; Schedules 2	Except for federal law, California

Provision	Section in franchise agreement	Summary
	and 3	law applies (subject to applicable state law).

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote, endorse or recommend our franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any 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 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 Alejandra Lucatero Gonzalez at Con Azucar Café Franchise, LLC, 101 E Santa Clara Street, San Jose, CA 95113, (408) 202-4668, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2022, 2023 and 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0

Company-Owned*	2022	0	1	+1
	2023	1	2	+1
	2024	2	3	+1
Total Outlets	2022	0	1	+1
	2023	1	2	+1
	2024	2	3	+1

*Includes locations owned and operated by affiliate of the franchisor.

Table No. 2
Transfers of Outlets From Franchisees To
New Owners (other than the Franchisor)
For Years 2022, 2023 and 2024

State	Year	Number of Transfers
California	2022	0
	2023	0
	2024	0
Totals	2022	0
	2023	0
	2024	0

[remainder of page intentionally left blank]

Table No. 3
Status of Franchise Outlets
For Years 2022, 2023 and 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at the End of the Year
Arizona	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
California	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Delaware	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Florida	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Georgia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Illinois	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Indiana	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Iowa	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at the End of the Year
Kentucky	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Michigan	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Minnesota	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Nebraska	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
New Jersey	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
New York	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
North Carolina	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Ohio	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Oregon	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at the End of the Year
	2024	0	0	0	0	0	0	0
Pennsylvania	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
South Carolina	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Tennessee	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Virginia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Washington	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Wisconsin	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets
For Years 2022, 2023 and 2024

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California*	2022	0	1	0	0	0	1
	2023	1	1	0	0	0	2
	2024	2	1	0	0	0	3
Totals	2022	0	1	0	0	0	1
	2023	1	1	0	0	0	2
	2024	2	1	0	0	0	3

*Includes locations owned and operated by principals of the franchisor.

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Table No. 5
Projected Openings as of December 31, 2024

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0		
Arkansas	0		
California	0	12	
Colorado	0		
Idaho	0	1	
Illinois	0		
Indiana	0		
Iowa	0		
Michigan	0		
Minnesota	0		
Missouri	0		
Nebraska	0	3	
New York	0		
North Carolina	0		
Ohio	0		
Oregon	0		
Pennsylvania	0		
Texas	0	2	
Virginia	0		
Washington	0		
TOTALS	0	18	0

Exhibit F-1 contains a list of the names of all of our operating franchisees and the addresses and telephone numbers of their Franchised Businesses as of the end of our last fiscal year.

Exhibit F-2 contains a list of franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within ten weeks of the issuance of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There is no trademark-specific franchisee organization associated with the franchise system which the franchisor has created, sponsored or endorsed. There is no independent trademark-specific franchisee organization which has asked to be included in this Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

Exhibit E contains our audited financial statements as of May 8, 2025. We have not been in business for three years and so cannot include all financial statements required by the FTC Franchise Rule. Our fiscal year end is December 31.

ITEM 22
CONTRACTS

The following exhibits to this Disclosure Document contain the proposed agreements regarding the franchise offering:

Exhibit B: FRANCHISE AGREEMENT

Schedule 1-General Release

Schedule 2-Nondisclosure and Non-Competition Agreement

Schedule 3-Unlimited Guaranty and Assumption of Obligations

Schedule 4-Lease Addendum

Schedule 5-ACH Payment Agreement

Schedule 6-Holders of Legal or Beneficial Interest in Franchisee; Officers;
Directors

Schedule 7-State Addenda to the Franchise Agreement

Exhibit F: FRANCHISEE DISCLOSURE QUESTIONNAIRE

ITEM 23
RECEIPTS

Exhibit J, the last two pages of this Disclosure Document, contain detachable duplicate Receipts that serve as an acknowledgement of your receipt of a copy of this Disclosure Document. You should sign both copies of the Receipt and return one copy to us.

EXHIBIT A
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

State	State Administrator	Agent for Service of Process
California	Department of Business Oversight Commissioner of Business Oversight 320 West 4th Street Los Angeles, CA 90013 1515 K Street, Suite 200, Sacramento, CA 95814 (866) 275-2677	Department of Business Oversight Commissioner of Business Oversight 320 West 4th Street Los Angeles, CA 90013
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division West Washington Street, Room E- 111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
Maryland	Office of the Attorney General Securities Commissioner 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020

Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 212-416-8285	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492 Phone
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Colorado	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	

Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Securities Administrator Washington State Department of Financial Institutions 150 Israel Rd., SW Tumwater, WA 98501 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Rd., SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

EXHIBIT B

Con Azucar Café

FRANCHISE AGREEMENT

Con Azucar Café
FRANCHISE AGREEMENT



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This Franchise Agreement made this ____ day of _____, 202_, is by and between Con Azucar Café Franchise, LLC, a California limited liability company (“Franchisor,” “we,” “us,” or “our”), and _____, an individual/partnership/corporation/limited liability company established in the State of _____ and whose principal address is _____ (“Franchisee,” “you,” or “your”).

RECITALS

We and/or our principals or Affiliates have developed, and are in the process of further developing, a System identified by the trade name and service mark “Con Azucar Café” and relating to the establishment and operation of a business offering Mexican inspired coffee shop offering a variety of coffees and teas and small bites including americano, lattes, sandwiches, and more; and

In addition to the trade name and service mark “Con Azucar Café” and certain other Marks, the distinguishing characteristics of the System include: uniform standards and procedures for efficient business operations; methods; designs; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; other strategies and techniques; and Trade Secrets and other Confidential Information; and the Operations Manual; and

We grant to qualified persons and business entities the right to own and operate a Con Azucar Café Business using the System and the Marks; and

You desire to operate a Con Azucar Café Business, have applied for the Franchise and such application has been approved by us in reliance upon all of the representations made herein and therein; and

You understand and acknowledge the importance of our high and uniform standards of quality, operations and service and the necessity of operating the Franchised Business in strict conformity with the System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

“**Affiliate**” means any business entity that controls, is controlled by, or is under common control with Franchisor.

“**Agreement**” means this Franchise Agreement and all instruments supplemental hereto

or in amendment or confirmation hereof.

“Competitive Business” means any business that offers services the same as or similar to those provided by Con Azucar Café Businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest.

“Confidential Information” means technical and non-technical information used in or related to the Con Azucar Café Franchise and not commonly known by or available to the public, including, without limitation, Trade Secrets, methods and products, customer services techniques and other techniques and methodologies not generally known to the industry or public, and any other information identified or labeled as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure per this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

“Effective Date” means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term.

“Electronic Depository Transfer Account” or **“EDTA”** means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor.

“Franchise” means the right granted to Franchisee by Franchisor to use the System and the Marks.

“Franchised Business” or **“Business”** means the Con Azucar Café Business to be established and operated by Franchisee per this Agreement.

“Franchisee” means the individual or entity defined as “Franchisee” in the introductory paragraph of this Agreement.

“Gross Revenues” means all business revenue which Franchisee accrues during the operation of the Franchise, but excluding taxes collected from customers and paid to any taxing authority, tips collected from customers and paid to employees, and reduced by the amount of any documented refunds, credits, allowances, and chargebacks given in good faith to customers.

“Incapacity” means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the Franchised Business on a regular

basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation.

“Internet” means any one (1) or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

“Marks” means the service mark “Con Azucar Café” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with the Con Azucar Café Business.

“Operations Manual” means the Con Azucar Café Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor.

“System” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of a Con Azucar Café Business.

“Trade Secrets” means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the operation of a Con Azucar Café Business that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. GRANT OF FRANCHISE; APPROVED FRANCHISED BUSINESS

2.1 Grant

We hereby grant to you, upon the terms and conditions herein contained and subject to this Agreement, the right, license, and privilege to operate a Con Azucar Café Business, and you hereby accept a franchise under the terms and conditions stated here to operate a Business that has been assigned a protected territory as in Section 2.4 (referred to as the “Territory”). Along with the right to use solely in connection therewith our Names and Mark, Services, Products, its advertising and merchandising methods, and the System, as they may be changed or improved and/or further developed from time to time, only at the accepted location of your Business as in

Section 2.2, and provided you shall adhere to the terms and conditions hereof.

It is understood and agreed that, except as expressly provided herein or in any other executed agreement, this franchise includes no right of you to sub franchise.

Except as provided in this Agreement, you shall be free to use the materials provided by us in the manner that you, in your sole and absolute discretion, deems most appropriate for the operation of a Con Azucar Café provided that you shall not violate any applicable law, regulation or provision of this Agreement in exercising such discretion.

2.2 Franchised Business

The street address or geographical description of the area for the Franchised Business (the “Accepted Location”) is:

2.3 Sub-Franchising/Agents

You shall not sublicense the use of the System or Marks to any person or entity. Except as permitted in Section 18, you shall not grant any person or entity the right to perform any part of your rights or obligations licensed hereunder.

2.4 Territory

The territory which is hereby granted to you shall be _____, at _____ (the “Territory”). You shall be prohibited from operating a franchise outside of the Territory without our prior written consent.

We may approve relocation of the Franchised Business if we feel that conditions have changed such that a relocation represents a sound business decision.

We would not normally grant to you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We are permitted to grant a non-traditional quick service outlet within your territory which will share its business premises with another business such as a convenience store, grocery store or service station or may be located in a school, institution, shopping mall, Walmart, Target, sports arena, fair or entertainment facility.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise territory, even if there is a population increase in your territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an Affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

2.5 Relocation

If you want to relocate the Franchised Business, you must notify us in writing at least sixty (60) days prior to the relocation. We reserve the right to refuse to approve a proposed relocation if we believe for any reason that the proposed relocation is not acceptable.

Our judgment may be based on factors such as the proximity to existing or proposed locations owned by other franchisees or us, the suitability of the proposed facilities, compliance with our then current franchise location requirements, and the competitiveness within the marketplace or other factors.

3. FEES

3.1 Franchise Fee

Upon execution of this Agreement, you shall pay a fee (the “Franchise Fee”) to us of Fifty Thousand Dollars (\$50,000). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is non-refundable. The Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as in this Agreement and for costs incurred by us including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 Monthly Royalty Fee

You shall pay to us without offset, credit or deduction of any nature, a monthly fee (the “Royalty Fee”) equal to five percent (5%) of Gross Revenues for the previous month period. The Royalty Fee is due on the tenth (10th) day of each month (for the prior month) and begins on the first (1st) month after the Business is open for operation and continues for the duration the term of this Agreement. You will provide to us a Gross Revenues Report, as required by Section 12.2, for each month during the operation of the Franchise. If we require you to pay the Royalty Fees through electronic transfer as in Section 3.4, such reports shall instead be submitted to us via facsimile transmission, e-mail or intranet system.

3.3 Taxes

You shall be solely responsible for paying all sales, use excise, income, property, employment and other taxes imposed upon you with respect to your operation of the Business.

3.4 Electronic Transfer

We shall require all Royalty Fees, amounts due for purchases by you from us and other amounts due to us to be paid through an Electronic Depository Transfer Account (“EDTA”). At our request, you shall open and maintain an EDTA, and shall provide us with continuous access to such account for the purpose of receiving any payments due to us. You shall make deposits to the account sufficient to cover amounts owed to us prior to the date such amounts are due. You shall execute any documents we or your bank requires to establish and implement the EDTA. Once established, you shall not close the EDTA without our prior written consent.

3.5 Late Fees

All Royalty Fees, amounts due from purchases by you from us and other amounts not received by us within five (5) days after the due date shall incur late fees at the rate of one and

one-half percent (1.5%) per month (or the highest rate allowed by the law of the state where you are located, whichever is lower) from the date payment is due to the date payment is received by us. You shall pay us for all costs incurred by us in the collection of any unpaid and past due amounts due to us, including reasonable accounting and legal fees. This Section shall not constitute an agreement by us to accept any payments after the due date or a commitment by us to extend credit to or otherwise finance you.

3.6 National Franchise Convention Fee

You agree to pay to us Five Hundred Dollars (\$500) to attend the National Franchise Convention.

3.7 Maintenance and Refurbishing of Business

If, after we notify you, you do not undertake efforts to correct deficiencies in outlet appearance, then we can undertake the repairs and you must reimburse us.

3.8 Insufficient Funds Fee

You agree to pay to us Seventy-Five Dollars (\$75) if any payment you owe is rejected due to insufficient funds in your EDTA, or if any other payment instrument you use is rejected for insufficient funds.

3.9 Relocation Assistance

If you need our assistance to relocate, you agree to pay to us our costs in providing such assistance.

3.10 Software and POS

You agree to pay the fees for such software and POS systems as we specify.

3.11 Brand Development Fund

You shall contribute a monthly fee (the “Brand Fee”) to the Brand Development Fee the greater of one percent (1%) of Gross Revenues for the previous month period. The Brand Fee is due on the tenth (10th) day of each month (for the prior month) and begins on the first (1st) month after the Franchised Business is open for operation and continues for the duration the term of this Agreement. The Brand Fee shall be paid in the same manner as the Royalty Fee under Section 3.2. You agree that we may use the Brand Development Fund to prepare advertising materials and administer national, regional and local advertising programs and public relations activities.

3.12 Application of Payments

Notwithstanding any designation by you, we shall have the right to apply any payments

by you to any past due indebtedness of you for Royalty Fees, purchases from us or any other amount owed to us in any proportion or priority.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of five (5) years from the Effective Date, unless sooner terminated according to this Agreement.

4.2 Successor Terms

Subject to the conditions below, you have the right to obtain a successor franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with us for successive terms of five (5) years each. To qualify for a successor franchise, each of the following pre-conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 You have, during the entire term of this Agreement, fully complied with all material provisions of this Agreement;

4.2.2 You have, at your expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects our then-current standards and specifications;

4.2.3 You have satisfied all monetary obligations owed by you to us (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.4 You are not in default of any provision of this Agreement or any other agreement between you and us;

4.2.5 You have given written notice of its intent to operate a successor franchise to us not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement;

4.2.6 You have executed our then-current form of franchise agreement (or has executed other documents at our election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee; provided, however, that you shall not be required to pay the then-current Franchise Fee;

4.2.7 You have complied with our then-current qualifications for a new franchisee and have agreed to comply with any training requirements;

4.2.8 You have executed a general release, in a form the same as or similar to the General Release attached as Schedule 1, of any and all claims against us, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located; and

4.2.9 You have paid the renewal fee of fifty percent (50%) of the then current initial franchise fee.

5. FRANCHISED BUSINESS

5.1 Operation of Franchised Business

You shall operate the Franchised Business within the Territory from a fixed location (the “Premises”). You shall manage and administer the Franchised Business from the Premises, and shall maintain and store the books and records of the Franchised Business at its headquarters.

5.2 Failure to Develop Franchised Business

Should you fail to develop the Franchised Business, in accordance with the other provisions of this Section 5 and within three hundred (300) days after this Effective Date, we have the right to terminate this Agreement and retain all fees paid to us by you.

5.3 Opening

Before opening the Franchised Business and commencing business, you must:

- (a) fulfill all of the obligations according to the other provisions of this Section 5;
- (b) furnish us with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as we may request;
- (c) complete initial training to our satisfaction;
- (d) possess all required state, county, city, and local professional licenses and certifications;
- (e) obtain all necessary state, county, city, and local permits and licenses;
- (f) pay in full all amounts due to us;
- (g) if you are a business entity, you have caused each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof a statement in a form satisfactory to us that such ownership interest is held subject to, and that further

assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

(h) obtain our permission and approval of an opening date; we shall not unreasonably withhold consent to open. Permission to open shall be based on our determination that you are ready to open and satisfactorily prepared to operate.

5.4 Failure to Open

Should you fail to commence operations of the Franchised Business within three hundred (300) days after the Effective Date, we have the right to terminate this Agreement. You must secure a location within forty-five (45) days. We shall have a period of ten (10) days to approve such location, and you must sign the lease within fifteen (15) days following our approval of such location. If this Agreement is terminated according to this Section 5.4, we shall retain the entire Franchise Fee paid by you. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts by us up to the date of your failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

6. PROPRIETARY MARKS

6.1 Ownership

Your right to use the Marks is derived solely from this Agreement, is exclusive and is limited to the conduct of business by you according to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by us. Any unauthorized use of the Marks by you is a breach of this Agreement and an infringement of our rights in and to the Marks. Your use of the Marks, and any goodwill created thereby, shall inure to the benefit of us. You shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to you. You shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

6.2 Limitations on Use

You shall not use any Mark or portion of any Mark as part of any business entity name. You shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. You shall give such notices of trademark and service mark registrations as we specify and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business. You shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to you. You shall include on its letterhead, forms, cards and other such identification, a prominent notice stating

that the Franchised Business is an “Independently Owned and Operated Con Azucar Café Franchise” of yours.

6.3 Notification of Infringements and Claims

You shall immediately notify us in writing of any infringement, claim of infringement, unfair competition, or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. You shall not communicate with any person other than us and our counsel in connection with any such infringement, challenge, or claim. However, you may communicate with your counsel at your expense. We are not required to take affirmative action when notified of these uses or claims. We have the sole right to control any administrative or judicial proceeding involving a trademark licensed by us. This Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorable to you. You shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation or other proceeding or to otherwise protect and maintain our interest in the Marks.

6.4 Indemnification for Use of Marks

We are not required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark. At our option, we or our designee may defend and control the defense of any proceeding arising directly from your use of any Mark.

6.5 Discontinuance of Use

If we deem it necessary for you to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, you shall comply with our directions within ten (10) business days after notice to you by us and subject to the limitations in Section 10.2. We shall not be required to reimburse you for your expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by you to promote a modified or substitute Mark.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that you are properly employing the Marks in the operation of the Franchised Business, we reserve the right to inspect the Franchised Business at any time without advanced notice.

6.7 Franchisor's Sole Right to Domain Name

You shall NOT advertise on the Internet, or establish, create, or operate an Internet site or website using a domain name or uniform resource locator containing the Marks or any variation thereof without our written approval. We are the sole owner of a right, title, and interest in and to such domain names. We will provide contact information for your Franchised Business on its website.

7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION

7.1 Confidentiality of Trade Secrets and Other Confidential Information

You acknowledge that we shall disclose Trade Secrets and other Confidential Information to you during the training program, through the Operations Manual, and as a result of guidance furnished to you during the term of this Agreement. You shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the Franchised Business and in performing your duties during the term of this Agreement. You acknowledge that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. You acknowledge that the Trade Secrets and other Confidential Information are proprietary and are disclosed to you solely on the condition that you (and all holders of a legal or beneficial interest in your entity and all officers, directors, executives, managers and members of the professional staff of yours): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. You shall enforce this Section as to your employees, agents and representatives and shall be liable to us for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for you or your owners or employees, shall be promptly disclosed to us and shall be deemed the sole and exclusive property of ours and works made-for-hire for us, and no compensation shall be due to you or your owners or employees therefore, and you hereby agrees to assign to us all right, title and interest in any intellectual property so developed. We have the right to incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for us, you shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to us and shall sign any assignment or other document as we request to assist us in obtaining or

preserving intellectual property rights in the item. We shall disclose to you concepts and developments of other franchisees that are made part of the System. As we may reasonably request, you shall take all actions to assist our efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by you or not.

7.3 Exclusive Relationship

During the term of this Agreement, neither you, nor any officer, director, or owner of your, shall directly or indirectly, in the United States, offer products or services on behalf of a Competitive Business; divert or attempt to divert any business or customer of the Franchised Business to any Competitive Business, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

We have the right to require any holder of a legal or beneficial interest in you, and any officer, director, executive, manager or member of the professional staff and all employees of yours to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Schedule 2, upon execution of this Agreement or prior to each such person's affiliation with you. Upon our request, you shall provide us with copies of all nondisclosure and non-competition agreements signed according to this Section. Such agreements shall remain on file at the business of yours and are subject to audit or review as otherwise stated here. We shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

You acknowledge that the restrictive covenants contained in this Section are essential elements of this Agreement, and that without their inclusion we would not have entered into this Agreement. You acknowledge that each of the terms stated here, including the restrictive covenants, is fair and reasonable and is reasonably required for our protection, the System and the Marks.

8. TRAINING AND ASSISTANCE

8.1 Initial Training

Franchisor shall make an initial training program available to a total of two (2) employees of Franchisee (if applicable). Prior to the opening of the Franchised Business, the designated persons must attend and successfully complete, to Franchisor's satisfaction, an initial training program pertaining to the operation and administration of the Franchised Business. Franchisor shall conduct the initial training program at a designated location. Franchisor shall not charge tuition or similar fees for initial training; however, all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be

responsible for training its management and other employees.

8.2 Opening Assistance

We provide site selection assistance to you to guide you in the selection of a location for your Franchised Business. We provide to you opening assistance and guidance to assist you with any questions you may have in operating and establishing the Franchised Business. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

8.3 Failure to Complete Initial Training Program

If we determine that you are unable to satisfactorily complete the training program described above, we have the right to terminate this Agreement and retain the Franchise Fee. If you are a business entity and the Manager fails to complete the initial training program to our reasonable satisfaction, you may be permitted to select a substitute manager and such substitute manager must complete the initial training to our satisfaction. You will be required to pay us then-current rates for additional training or Five Hundred Dollars (\$500) per day per person, whichever is greater, for providing the substitute manager an initial training program at our location, or our then-current rates for additional training or Five Hundred Dollars (\$500) per day per person, whichever is greater, for training at your location (plus hotel, air fare and other expenses incurred by our trainer).

8.4 Ongoing Training

From time to time, we may provide and if we do, have the right to require that you attend ongoing training programs, seminars, conferences, conventions, or webinars during the term of this Agreement, at your expense of Five Hundred Dollars (\$500) per person per day if ongoing training is at our location, or Five Hundred Dollars (\$500) per person per day (plus hotel, air fare and other expenses incurred by our trainer) if ongoing training is at your location. We shall not require you to attend more than two (2) sessions in any calendar year. You shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with its attendance at such training.

9. OPERATIONS MANUAL

9.1 Loan by Franchisor

While this Agreement is in effect, we shall lend to you one (1) copy of the Operations Manual or grant you access to an electronic copy of the Operations Manual. You shall conduct the Franchised Business in strict accordance with the provisions in the Operations Manual. However, you are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

9.2 Revisions

We have the right to add to or otherwise modify the Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures, and rules prescribed by us; provided, however, that no such addition or modification shall materially alter your fundamental status and rights under this Agreement. We may make such additions or modifications without prior notice to you. You shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Operations Manual is up-to-date at all times. If a dispute as to the contents of the Operations Manual arises, the terms of the master copy of the Operations Manual maintained by us at our headquarters shall be controlling.

9.3 Confidentiality

The Operations Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by you both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. You shall at all times ensure that its copy of the Operations Manual is available at the Franchised Business in a current and up-to-date manner. If the Operations Manual is in paper form or stored on computer-readable media, You shall maintain the Operations Manual in a secure manner at the Franchised Business; if the Operations Manual is in electronic form, you shall maintain the Operations Manual in a password-protected file. You shall only grant authorized personnel, as defined in the Operations Manual, access to the Operations Manual or any key, combination, or passwords needed for access to the Operations Manual. You shall not disclose, duplicate or otherwise use any portion of the Operations Manual in an unauthorized manner.

10. FRANCHISE SYSTEM

10.1 Uniformity

You shall strictly comply, and shall cause the Franchised Business and its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules in this Agreement, the Operations Manual or other communications supplied to you by us.

10.2 Modification of the System

You recognize that from time to time, we may introduce, as part of the System, other methods or technology which require certain System modifications including, without limitation, the adoption and use of modified or substitute Marks, new computer hardware and software, equipment or signs. You agree to make all required upgrades and modifications at its expense as may be required by us; provided, however, that you shall not be required to make any expenditures during the first year of the initial term or any expenditures which are unreasonably disproportionate to your initial investment to establish the Franchised Business during the initial term. If such additional investment is required to be made in the last year of the initial term, you may avoid making the investment by providing notice of intent not to renew the Franchise unless

the investment is in connection with a modification to the System required by law or court order. You acknowledge that any required expenditures for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2 of this Agreement. Notwithstanding the foregoing, you shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

10.3 Variance

We have the right to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which we deem to be of importance to the successful operation of any particular Con Azucar Café Business. We shall not be required to disclose or grant to you a like or similar variance hereunder.

11. ADVERTISING AND PROMOTIONAL ACTIVITIES

11.1 Local and Grand Opening Advertising

You shall spend a monthly the greater of One Thousand Five Hundred Dollars (\$1,500) or one percent (1%) of Gross Revenues on Local Advertising, based upon our guidelines. You shall spend Four Thousand Dollars (\$4,000) to Eight Thousand Dollars (\$8,000) to promote the opening of the Franchised Business, pursuant to our guidelines.

You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law.

11.2 Advertising Council and Cooperative Advertising

We do not have an advertising council composed of franchisees that advise us on advertising policies at this time, but reserve the right to form one in the future. We do not require you to participate in a local or regional advertising cooperative.

11.3 Internet Advertising

You are restricted from establishing a presence on, or marketing on the Internet without our written consent. We have an Internet website that provides information about the System and our franchises. All information posted on our website or any linked webpages must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, and co-branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as

domain names, directory addresses, search terms and meta-tags, social media pages and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, our website. You are not permitted to use a domain name containing our marks in the URL.

12. ACCOUNTING, RECORDS, AND REPORTING OBLIGATIONS

12.1 Records

During the term of this Agreement, you shall maintain full, complete, and accurate books, records and accounts in accordance with the standard accounting system prescribed by us in the Operations Manual or otherwise in writing. You shall utilize an accounting software such as Quickbooks.com (or other approved accounting software) to manage its books. You shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by us or required by law.

12.2 Gross Revenues Reports

You shall maintain an accurate record of Gross Revenues and shall deliver to us electronically a signed and verified statement of Gross Revenues (“Gross Revenues Report”) for the month ending each month by the fifth (5th) day of each month in a form that we approve or provide in the Operations Manual. The Gross Revenues Report for the preceding month must be provided to us by the close of business on the fifth (5th) of each month as provided in Section 3.2.

12.3 Financial Statements

You shall, at your expense, submit to us within thirty (30) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. You shall submit to us such other periodic reports in the manner and at the time specified in the Operations Manual or otherwise in writing.

12.4 Other Reports

You shall submit to us copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as we may reasonably request from time to time or as specified in the Operations Manual. We shall have the right to release financial and operational information relating to the Franchised Business to our lenders or prospective lenders. You shall certify as true and correct all reports to be submitted according to this Agreement.

12.5 Computer and Surveillance Equipment

You shall purchase, install and use computer equipment consisting of hardware and software in accordance with our specifications. We shall have full access to all of your computer, data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet. We shall have full access to any video or surveillance stream.

12.6 Right to Inspect

We or our designee has the right, during normal business hours without notice, to examine, copy, and audit the books, records and tax returns of yours. If the audit or any other inspection should reveal that any payments to us has been underpaid, then you shall immediately pay to us the amount of the underpayment. If the audit reveals an underpayment of two percent (2%) or more during the review period, you shall also pay interest from the date such amount was due until paid at the rate of one and one-half percent (1.5%) per month (or the rate legally allowed by the law of the state where you are located, whichever is lower) and you shall, in addition, reimburse us for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies we may have.

12.7 Independent Access to Information

We have, and you are required to, provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business.

12.8 Release of Records

Under Right To Inspect, at our request you shall authorize us and/or our direct third party(s), including accounting and legal professionals, to release to us all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Revenues, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to us on a monthly basis for the length of the unexpired term of this Agreement or until such time as we withdraw our request. You shall execute all documents necessary to facilitate the release of records referenced herein to us.

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services, and Suppliers

13.1.1 You acknowledge that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers. Accordingly, you shall provide or offer for sale or use at the Franchised Business only those services, with the greatest diligence and care by you, that we approve (and which are not thereafter disapproved) and that comply with our specifications and quality standards. If required by us, any such items or services shall be purchased only from us. We shall maintain inventory levels for all supplies offered solely by us at a level sufficient to ensure prompt delivery to all franchisees. You shall NOT offer for sale, sell or provide through the Franchised Business or from the Franchised Business any products or services that we have not approved. Furthermore, you must offer for sale all services and products currently offered by us or which will be offered by us in the future.

13.1.2 Notwithstanding anything contrary in this Agreement, we have the right to review from time to time its approval of any items or suppliers. We may revoke its approval of any item, service or supplier at any time by notifying you and/or the supplier. You shall, at your own expense, promptly cease using, selling or providing any items or services disapproved by us. The cost to review a new product or service as proposed by you shall not exceed One Thousand Dollars (\$1,000) per product or service.

13.1.3 We have the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as we determine including, but not limited to, franchisee qualifications, test marketing and regional or local differences. We have the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors in Section 10.4 and shall not create any rights in you to provide the same products or services.

13.1.4 We have the right to retain volume rebates, markups, and other benefits from suppliers or in connection with the furnishing of supplies. You shall have no entitlement to or interest in any such benefits.

13.1.5 We shall provide you, in the Operations Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, furniture, fixtures, inventory, equipment and other approved or specified items and services, and we may from time to time issue revisions to such list. If we or an Affiliate is an Approved Supplier, you shall execute a standard form purchase or supply agreement for the items to be supplied by us or our Affiliate. If you desire to utilize any products, services or new technology that we have not approved (for products and services that require supplier approval), you shall first send us sufficient information, specifications and samples for us to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. You shall bear all expenses incurred by us in connection with determining whether it shall approve an item, service or supplier, not to exceed

One Thousand Dollars (\$1,000). We will decide within a reasonable time (usually thirty [30] days) after receiving the required information whether you may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require us to approve any particular supplier, or to require us to make available to prospective suppliers, standards and specifications that we deem confidential.

13.2 Appearance and Condition of the Franchised Business

You shall maintain the service equipment, Premises and signage of the Franchised Business in "like new" condition, and shall repair or replace service equipment, the Premises and signage as necessary to comply with the health and safety standards and specifications of ours and any applicable laws or regulations. The expense of such maintenance shall be borne by you and shall be in addition to any required System modifications, as described in Section 10.2.

13.3 Ownership and Management

The Franchised Business shall, at all times, be under the direct supervision of you or your approved manager. You and/or your manager shall devote sufficient efforts to the management of the day-to-day operation of the Franchised Business, but not less than forty (40) hours per week, not excluding vacation, sick leave and similar absences. You shall keep us informed, in writing, at all times of the identity of its manager. You must not engage in any business or other activities that will conflict with its obligations under this Agreement.

13.4 Days of Operation

You shall keep the Franchised Business open for such days and hours as specified in the Operations Manual.

13.5 Contributions and Donations

In order to protect the Marks, you must obtain our prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). We may withhold any such consent in its sole and absolute discretion.

13.6 Licenses and Permits

You shall secure and maintain in force all required operational, liquor and professional licenses, permits and certificates necessary for the operation of the Franchised Business, and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. We make no representation to you with regard to any legal requirements that you must satisfy or comply with in connection with the operation of the Franchised Business. You

shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

13.7 Notification of Proceedings

You shall notify us in writing of the commencement of any action, suit or proceeding involving you or the Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Business not more than five (5) days after notice of such commencement or issuance. You shall deliver to us not more than five (5) days after your receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects your failure to meet and maintain the highest applicable rating or your noncompliance or less than full compliance with any applicable law, rule or regulation.

13.8 Compliance with Good Business Practices

You acknowledge that the quality of customer service, and every detail of appearance and demeanor of you and your employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, you shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business, including operating in strict compliance with all applicable rules and regulations. You shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If we deem that you did not fairly handle a customer complaint or has operated outside of applicable rules and regulations, we have the right to intervene and satisfy the customer. We have the right to terminate this Agreement for violation of this Section. You shall reimburse us for all costs incurred by us in servicing a customer of the Franchised Business according to this Section.

13.9 Uniforms

You shall abide by all uniform and dress code requirements stated in the Operations Manual or otherwise. Uniforms must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets our specifications and quality standards for uniforms.

13.10 Credit Cards

You shall, at your expense, lease or purchase the necessary equipment to process credit card and other payments pursuant to our specifications.

13.11 E-Mail

We will set up an email address for your benefit, using our information, methods, and

trade name. We may charge a maintenance fee, which fee shall be communicated contemporaneous of our initiation of the alternative e-mail as mentioned in this section.

13.12 Best Efforts

You shall use your best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. You shall require all of your employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all products and services provided as part of the System.

14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

14.1 General Advice and Guidance

We shall be available to render advice, discuss problems, and offer general guidance to you by telephone and/or electronic correspondence, with respect to planning and operating the Franchised Business. We shall not charge for this service. Our advice or guidance to you relative to prices for products and services that, in our judgment, constitutes good business practice is based upon our experience and our franchisees in operating Con Azucar Café Businesses and an analysis of costs and prices charged for competitive products and services. Within range, you shall have the right to change/determine the price to be charged for a particular service by the Franchised Business at the time of sale (if necessary). Notwithstanding, you acknowledge and agree that we shall not be held liable for such advice; any decisions made by you, whether on its own accord or through suggestion from us is your sole and absolute responsibility.

14.2 Periodic Visits

We or our representative may make periodic visits, which may be announced or unannounced, to the Franchised Business for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Business. We may also accompany you and/or your employees along any job site visits, in order to monitor all business practices and better render any advice or opinions. We and our representatives who visit the Franchised Business or accompany you and/or your employees along job site visits may prepare, for the benefit of both us and you, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to you. You shall implement any required changes or improvements as required by us with time being of the essence.

15. INSURANCE

15.1 Types and Amounts of Coverage

At your sole expense, you shall procure within ten (10) days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance as we

may specify in the Operations Manual or otherwise and any other insurance as may be required by applicable law or by your Landlord or Lessor. All policies (except any workers' compensation insurance) shall expressly name us as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against us and our successors and assigns.

15.2 Future Increases

We have the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards, or other relevant changes in circumstances.

15.3 Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which you operate and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A-" in the same classification, we demand an "A" rating.

15.4 Evidence of Coverage

Your obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of this obligation relieve it of liability under the indemnity provisions in Section 21.3. Upon issuance of a policy and renewal of said policy, you shall provide to us, certificates of insurance showing compliance with the foregoing requirements within fifteen (15) days of your receipt of such certificates. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to us and shall reflect proof of payment of premiums.

15.5 Failure to Maintain Coverage

Should you not procure and maintain insurance coverage as required by this Agreement, we have the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to you, which charges, together with a reasonable fee for expenses incurred by us in connection with such procurement, shall be payable by you immediately upon notice.

16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

You may only terminate this Agreement upon (1) our mutual agreement; (2) non-renewal; or (3) a sale pursuant to the terms of this Agreement.

16.2 Termination by Franchisor

16.2.1 We have the right to terminate this Agreement, without any opportunity to cure by you, if you:

- (a) fails to timely establish, equip, and commence operations of the Franchised Business according to Section 5;
- (b) fails to satisfactorily complete any training program according to Section 8;
- (c) fails to maintain all required professional licenses, permits, and certifications for a period exceeding five (5) business days;
- (d) made any material misrepresentation or omission in its application for the Franchise or otherwise to us in the course of entering into this Agreement;
- (e) is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect our reputation of Franchisor, Franchisee, or the Franchised Business;
- (f) after notice to cure, fails to refrain from activities, behavior, or conduct likely to adversely affect the reputation of Franchisor, Franchisee, or the Franchised Business;
- (g) discloses, duplicates, or otherwise uses in an unauthorized manner any portion of the Operations Manual, Trade Secrets, or any other Confidential Information;
- (h) if required by, fails to have any holder of a legal or beneficial interest in you, and any officer, director, executive, manager or member of the professional staff and all employees of yours, execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Schedule 2, upon execution of this Agreement or prior to each such person's affiliation with you or fails to provide us with copies of all nondisclosure and non-competition agreements signed according to Section 7.4 if requested by us;
- (i) abandons, fails, or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by us), or, if first approved by us, fails to promptly relocate the Franchised Business or any other event rendering the Premises unusable;
- (j) surrenders or transfers control of the operation of the Franchised Business without our approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in you, or fails or refuses to assign the Franchise or the interest in the Franchise of a deceased or incapacitated owner thereof as herein required;

(k) fails to maintain the Franchised Business under the primary supervision of an approved manager during the one hundred eighty (180) days following the death or Incapacity of you or any holder of a legal or beneficial interest in you according to Section 18.6;

(l) submits to us on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to us by more than two percent (2%) for any accounting period and you are unable to demonstrate that such understatements resulted from inadvertent error;

(m) becomes insolvent, meaning unable to pay bills as they become due in the ordinary course of business;

(n) misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

(o) fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, amounts due for purchases from us and any Affiliate, or other payment when due to us or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to you;

(p) violates on two (2) or more occasions any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees, or the public;

(q) engages in any activity exclusively reserved to us;

(r) fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

(s) breaches this Agreement three (3) times in a twelve (12) month period and/or fails (3) times in a twelve (12) month period to comply with mandatory specifications, customer service standards, or operating procedures prescribed in the Operations Manual, whether or not previous breaches or failures are cured;

(t) defaults under any other agreement between us (or any Affiliate) and you, such that we or our Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates;

(u) performs Targeted Marketing in any geographic location outside of the Territory, whether or not such geographic location falls within another franchisee's territory or the territory of any other Franchisor-controlled business.

(v) fails to refer business opportunities or offers received by third parties, if such business opportunities or offers would take place in any geographic location which falls under the territory of other franchisees, our associated businesses, or which are directly controlled by us.

16.2.2 Except as otherwise provided in Section 16.2.1, we have the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that you may avoid termination by curing such default or failure (or by providing proof acceptable to us that you have made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

(a) within five (5) days of receiving notice of your failure to pay any amounts due to us;

(b) within ten (10) days of receiving notice of your failure to maintain insurance as specified in Section 15 of this Agreement; or

(c) within thirty (30) days of receiving notice of any other default by you or upon your failure to comply with any mandatory specification, standard, or operating procedure prescribed in the Operations Manual or otherwise prescribed in writing.

16.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, we may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to you without waiving any of our rights under this Agreement.

16.4 Right of Franchisor to Discontinue Services to Franchisee

If you are in breach of any obligation under this Agreement, and we deliver to you a notice of termination according to Section 16.2.2, we have the right to suspend its performance of any of its obligations under this Agreement.

16.5 Right of Franchisor to Operate Franchised Business

Following the delivery of a notice of termination according to Section 16.2.2, if necessary in our discretion, we shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as you correct the breach. We may charge a management fee as stated in the Operations Manual from time to time, currently equal to Two Hundred Fifty Dollars (\$500) per person per day, and we shall be entitled to reimbursement of any expenses we incur that are not paid out of the operating cash flow of the Franchised Business.

17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to you shall terminate and you shall:

(a) immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of ours;

(b) cease to use the Trade Secrets or other Confidential Information, the System and the Marks, including, without limitation, all slogans, symbols, logos, advertising materials, stationery, forms, and any other items which display or are associated with the Marks;

(c) take such action as may be necessary to cancel or assign to us, at Franchisor's option, any assumed name or equivalent registration filed with state, city, or county authorities which contains the name "Con Azucar Café" or any other confusingly similar Mark, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

(d) pay all sums owing to us and any Affiliate. In the event of termination for any default of yours, such sums shall include, but not be limited to, all damages, costs, and expenses, including reasonable attorneys' fees, with respect to litigation, arbitration, appellate, or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by us as a result of any early termination of this Agreement, and any other amounts due to us or any Affiliate;

(e) pay to us all costs and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(f) immediately return to us the Operations Manual, Trade Secrets, and all other Confidential Information, including records, files, instructions, brochures, agreements, disclosure statements, and any and all other materials provided by us to you relating to the operation of the Franchised Business (all of which are acknowledged to be our property);

(g) assign all telephone listings and numbers for the Franchised Business to us and shall notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at our direction; and

(h) comply with all other applicable provisions of this Agreement.

17.2 Post-Termination Covenant Not to Compete

17.2.1 You acknowledge that the restrictive covenants contained in this Section and in Section 17 are fair and reasonable.

17.2.2 Except as otherwise approved in writing by us, neither you, nor any holder of a legal or beneficial interest in you, nor any officer, director, executive, manager or member of the professional staff of yours, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly:

(a) offer Competitive Business services located or operating (a) at or within a twenty-five (25) mile radius of the Franchised Business, or (b) within a twenty-five (25) mile radius of any other Con Azucar Café Business in existence at the time of termination or expiration, or (c) any other business owned or operated by the Franchisor in existence at the time of termination or expiration;

(b) solicit or otherwise attempt to induce or influence any customer or other business associate of Franchisor to terminate or modify his, her or its business relationship with us or to compete against us; or

(c) In furtherance of this Section, we have the right to require certain individuals to execute standard form nondisclosure or non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Schedule 2.

17.3 Unfair Competition

If you operate any other business, you shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute our rights in the Marks. You shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with us. This Section is not intended as an approval of your right to operate other businesses and in no way is it intended to contradict Sections 17, 17.1 or 17.2. You shall make such modifications or alterations to the Franchised Business (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between us or the System and any business subsequently operated by you or others at the Franchised Business. You shall make such specific additional changes to the Franchised Business as we may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If you fail or refuse to comply with the requirements of this Section, we have the right to enter upon the Franchised Business for the purpose of making or causing to be made such changes as may be required, at your expense, which expense you shall pay upon demand.

17.4 Franchisor's Option to Purchase Certain Business Assets

We have the right (but not the obligation), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including improvements, service tools and equipment, supplies and other inventory or equipment. The purchase price shall be equal to the assets' book value. If we elect to exercise this option to purchase, it has the right to set off all amounts due from you under this Agreement, if any, against the purchase price.

17.5 Survival of Certain Provisions

All obligations of us and you, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

18. TRANSFERABILITY OF INTEREST

18.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by us and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of ours, the assignee shall assume our obligations hereunder and we shall thereafter have no liability for the performance of any obligations contained in this Agreement.

18.2 Transfer by Franchisee to a Third Party

The rights and duties of you as in this Agreement, and the Franchise herein granted, are personal to you (or your owners), and we have entered into this Agreement in reliance upon your personal or collective skill and financial ability. Accordingly, neither you nor any holder of a legal or beneficial interest in you may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the assets of the Franchised Business or any part or all of the ownership interest in you without the prior written approval of us. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If you are in compliance with this Agreement, our consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

- (a) You have complied with the requirements in Section 19;
- (b) all obligations owed to us, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

(c) you (and any transferring owners, if you are a business entity) have executed a general release, in a form the same as or similar to the General Release attached as Schedule 1, of any and all claims against us, including our officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of your interest herein or to the transfer of your ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, you shall give the maximum release allowed by law;

(d) the prospective transferee has satisfied us that it meets our management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as we may require to demonstrate ability to conduct the Franchised Business;

(e) the transferee and, if we require, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

(f) the transferee has executed a general release, in a form the same as or similar to the General Release attached as Schedule 1, of any and all claims against us and our officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by you;

(g) you have provided us with a complete copy of all contracts and agreements and related documentation between you and the prospective transferee relating to the intended sale or transfer of the Franchise;

(h) you, or the transferee, has paid to us, before the transaction is completed, a transfer fee in the amount of fifty percent (50%) of the then current initial Franchise Fee, if the Franchise is being sold, transferred, or assigned to a third party;

(i) the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by us;

(j) the transferee has obtained all necessary consents and approvals by third parties and all applicable federal, state, and local laws, rules, ordinances, and requirements applicable to the transfer have been complied with or satisfied;

(k) you have, and if you are an entity, all of the holders of a legal and beneficial interest in you have executed and delivered to us a nondisclosure and non-competition agreement in a form satisfactory to us and in substance the same as the nondisclosure and non-competition covenants contained in Sections 7 and 17; and

(l) the transferee agrees that it shall complete, to our satisfaction, a training program in substance similar to the initial training described in Section 8.1 prior to assuming the management of the day-to-day operation of the Franchised Business.

18.3 Transfer to a Controlled Entity

18.3.1 If you wish to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by you (“Controlled Entity”), which Controlled Entity is being formed for the financial planning, tax or other convenience of you, our consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

(a) the Controlled Entity is newly organized and its charter or articles of formation provides that its activities are confined exclusively to the operation of the Franchised Business;

(b) you or all holders of a legal or beneficial interest in your entity all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

(c) all obligations of your to us or any Affiliate are fully paid and satisfied; provided, however, that neither you nor the Controlled Entity shall be required to pay a transfer fee as required according to Section 18.2(h);

(d) the Controlled Entity has entered into a written agreement with us expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, you have obtained such written consent and provided the same to us prior to our consent;

(e) all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with us jointly and severally guaranteeing the full payment of the Controlled Entity’s obligations to us and the performance by the Controlled Entity of all the obligations of this Agreement;

(f) each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to us that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

(g) copies of the Controlled Entity’s articles of incorporation or organization, bylaws, operating agreement, federal tax identification number, and other governing regulations or

documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to us. Any amendment to any such documents shall also be furnished to us immediately upon adoption.

18.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3 our consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims we may have against the transferor or the transferee, nor shall it be deemed a waiver of our right to demand compliance with the terms of this Agreement.

18.4 Franchisor's Disclosure to Transferee

We have the right, without liability of any kind or nature whatsoever to you, to make available for inspection by any intended transferee of you all or any part of our records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. You hereby specifically consents to such disclosure by us and shall release and hold us harmless from and against any claim, loss or injury resulting from an inspection of our records relating to the Franchised Business by an intended transferee identified by you.

18.5 For-Sale Advertising

You shall NOT, without our prior written consent, place in, on or upon the area of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

18.6 Transfer by Death or Incapacity

Upon the death or Incapacity of you (if you are an individual) or any holder of a legal or beneficial interest in you (if you are a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Franchised Business or in you to a third party approved by us. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement. During such one hundred eighty (180) day period, the Franchised Business must remain at all times under the primary management of a Designated Manager who otherwise meets our management qualifications.

Following such a death or Incapacity of such person as described in this Section 18.6, if necessary in our discretion, we shall have the right, but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by us. We shall be given access to the Franchised Business, even if located within your or your Designated Manager's principal residence, and shall not be held liable for

trespass or any related tort. We may charge a management fee as stated in the Operations Manual from time to time, currently equal to Five Hundred Dollars (\$500) per person per day, and we shall be entitled to reimbursement of any expenses we incur that are not paid out of the operating cash flow of the Franchised Business.

19. RIGHT OF FIRST REFUSAL

19.1 Submission of Offer

If you, or any of your owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity according to Section 18.6) the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in you or any ownership interest in the Franchise granted hereunder, you shall obtain and deliver a bona fide, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to us, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of you or any of your owners.

19.2 Franchisor's Right to Purchase

We shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to you, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to you. We have the right to substitute cash for the fair market value of any form of payment proposed in such offer. Our credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to you of our intent to exercise this right of first refusal, we shall have up to sixty (60) days to close the purchase. We shall be entitled to receive from you all customary representations and warranties given by you as the seller of the assets or such ownership interest or, at our election, such representations and warranties contained in the proposal.

19.3 Non-Exercise of Right of First Refusal

If we do not exercise our right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by you or any of your owners, subject to our prior written approval as required by Section 18.2. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to us, our right of first refusal shall renew and be implemented in accordance with this Section.

19.4 Sales or Transfers to Family Excepted

If you propose to sell or otherwise transfer the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in you or any ownership interest in the Franchise granted hereunder to a member of your (or there owners') family, then the terms and conditions of this Section shall be inapplicable. Nothing in this Section 19.4 shall be construed to relieve you from full compliance with the terms and conditions of Section 18.2

prior to a sale or transfer to family according to this Section.

20. BENEFICIAL OWNERS OF FRANCHISEE

You represent, and we enter into this Agreement in reliance upon such representation, that the individual(s) identified in Schedule 6 is/are the sole holder(s) of a legal or beneficial interest (in the stated percentages) of you.

21. RELATIONSHIP AND INDEMNIFICATION

21.1 Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make you an agent, legal representative, joint-venturer, partner, employee, servant, or independent contractor of ours for any purpose whatsoever. You may not represent or imply to third parties that you are an agent of ours, and you are in no way authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation, express or implied, on our behalf. During the term of this Agreement, and any extension or renewal hereof, you shall hold yourself out to the public only as a franchisee and an owner of the Franchised Business operating the Franchised Business according to a franchise from us. You shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on all forms, stationery or other written materials, the content of which we have the right to specify. Under no circumstances shall we be liable for any act, omission, contract, debt, nor any other obligation of yours. We shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business by you. Any third-party contractors and vendors retained by you to convert or construct the premises are independent contractors of you alone.

21.2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties.

21.3 Indemnification

You shall hold harmless and indemnify us, any Affiliate, all holders of a legal or beneficial interest in us and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively “Franchisor Indemnities”) from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys’ fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon your (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between you and us (or an Affiliate); (d) defamation of us or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Business; or (f)

infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement.

21.4 Right to Retain Counsel

You shall give us immediate notice of any such action, suit, demand, claim, investigation, or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnity. We have the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, we have the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in our sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of your insurers to refuse to pay a third-party claim, all cause of action and legal remedies you might have against such insurer shall automatically be assigned to us without the need for any further action on either party's part. Under no circumstances shall we be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against you. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by us from you. You agree to not be a party to class action suit against you or any of your Affiliates under any circumstances.

22. GENERAL CONDITIONS AND PROVISIONS

22.1 No Waiver

No failure by us to exercise any power reserved to it hereunder, or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Waiver by us of any particular default by you shall not be binding unless in writing and executed by us and shall not affect nor impair our right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by us of any payment(s) due shall not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

22.2 Injunctive Relief

As any breach by you of any of the restrictions contained in Sections 6, 7, and 17 would result in irreparable injury to us, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, we shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and you shall be responsible for our reasonable attorneys' fees incurred in pursuing the same. Our right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23.7. Our

rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 22.3. All notices, payments and reports required by this Agreement shall be sent to us at the following address, or at such other address as we may provide:

Con Azucar Café Franchise, LLC
Attn.: Alejandra Lucatero Gonzalez
101 E Santa Clara Street
San Jose, CA 95113

22.4 Cost of Enforcement or Defense

If we are required to enforce this Agreement in a judicial or arbitration proceeding, if it is the prevailing party, it shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

22.5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in you of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Schedule 3, through which such holders agree to assume and discharge all of your obligations under this Agreement and to be personally liable hereunder for all of the same.

22.6 Approvals

Whenever this Agreement requires the prior approval or consent of us, you shall make a timely written request to us for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. We make no warranties or guarantees upon which you may rely, and assumes no liability or obligation to you or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

22.7 Entire Agreement

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

22.8 Severability and Modification

Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement.

Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable, or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

22.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

22.11 Timing

Time is of the essence. Except as in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

22.12 Withholding Payments

You shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to us or to an Affiliate. You shall not withhold or offset any amounts, damages or other monies allegedly due to you against any amounts due to us. No endorsement or statement on any payment for less than the full amount due to us will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and we have the right to accept and cash any such payment without prejudice to our right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. We have the right to apply any payments made by you against any of your past due indebtedness as we deem appropriate. We shall set off sums we owe to you against any unpaid debts owed by you to us.

22.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.14 Third Party Beneficiaries

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than us or you, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

22.15 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

23. DISPUTE RESOLUTION

23.1 Choice of Law

Except as to claims governed by federal law, California law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties ("Claims"). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph. And the local law where the Franchised Business is located shall govern with respect to any questions related to enforceability of non-compete provisions.

23.2 Jurisdiction and Venue

You and we agree that venue and jurisdiction for any Claims, except those required to be submitted to arbitration, shall be proper solely in the state and federal court nearest to our

corporate headquarters, presently located in San Jose, California.

23.3 Jury Waiver

In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

23.4 Class Action Waiver

You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

23.5 Limitation of Damages

You and us each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. You waive and disclaim any right to consequential damages in any action or claim against us concerning this Agreement or any related agreement. In any claim or action brought by you against us concerning this Agreement, your contract damages shall not exceed and shall be limited to refund of your Franchise Fee and Royalty Fees.

23.6 Limitation of Actions

You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

23.7 Prior Notice of Claims

As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

23.8 Internal Dispute Resolution

You must first bring any Claim to our President, after providing notice as in Section 23.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

23.9 Mediation and Arbitration

Before you may bring any Claim against us, you agree to try for a period of sixty (60) days to mediate such claim before a mutually agreed to mediator in the city or county where our

headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”), and split any AAA and mediator fees equally.

If mediation is unsuccessful and you decide to pursue a legal claim against us, you agree to bring such claim solely in binding arbitration conducted in the city or county where our headquarters is located, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

23.10 Waiver of Bond

You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

23.11 Attorney Fees

If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

23.12 Third Party Beneficiaries

Our officers, directors, members, shareholders, agents, and employees are express third-party beneficiaries of the terms of the Dispute Resolution provisions contained herein.

24. ACKNOWLEDGMENTS

24.1 Receipt of this Agreement and the Franchise Disclosure Document

You represent and acknowledge that you have received, read and understands this Agreement and our Franchise Disclosure Document; and that we have accorded you ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering our Franchisor’s Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

24.2 Consultation by Franchisee

You represent that you have been urged to consult with your own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. You represent that you have either consulted with such advisors or have deliberately declined to do so.

24.3 True and Accurate Information

You represent that all information in any and all applications, financial statements, and submissions to us is true, complete, and accurate in all respects, and you acknowledge that we are relying upon the truthfulness, completeness, and accuracy of such information.

24.4 Risk

You represent that you have conducted an independent investigation of the business contemplated by this Agreement and acknowledge that, like any other business, an investment in a Con Azucar Café Business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of you. We make no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

24.5 No Guarantee of Success

You represent and acknowledge that you have not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Business. You represent and acknowledge that there have been no representations by our officers, directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document or this Agreement.

24.6 No Violation of Other Agreements

You represent that your execution of this Agreement will not violate any other agreement or commitment to which you or any holder of a legal or beneficial interest in you is a party.

IN WITNESS WHEREOF the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

Con Azucar Café Franchise, LLC

[FRANCHISEE]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**SCHEDULE 1 TO THE FRANCHISE AGREEMENT
GENERAL RELEASE**

THIS RELEASE is made and given by _____ (“Releasor”), with reference to the following facts:

1. Releasor and Con Azucar Café Franchise, LLC (“Releasee”) are parties to one or more franchise agreements.
2. The following consideration is given:

_____ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the “Franchise”); or

_____ Releasor’s consent to Releasee’s transfer of its rights and duties under the Franchise Agreement; or

_____ Releasor’s consent to Releasee’s assumption of rights and duties under the Franchise Agreement; or

_____ [insert description]

3. Release- Franchisee and all of Franchisee’s guarantors, members, officers, directors, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively “Released Parties”) from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1

through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act.

7. Releasor agrees to comply with all of its applicable post-termination or post-transfer obligations (as the case may be) in the Franchise Agreement described above.

Releasor:

By:_____

Printed Name:_____

Title:_____

Releasee:

Con Azucar Café Franchise, LLC

By:_____

_____, CEO

Date:_____

**SCHEDULE 2 TO THE FRANCHISE AGREEMENT
NONDISCLOSURE AND NON-COMPETITION AGREEMENT**

This Nondisclosure and Non-Competition Agreement (this “Agreement”) made as of the _____ day of _____, 20____, is by and between _____
_____ (“Franchisee,” “we,” “us,” or “our”), and
_____ (“Individual,” “you,” or “your”).

W I T N E S S E T H:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) by and between Franchisee and the Franchisor, Con Azucar Café Franchise, LLC (“Company”); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) products and services the same as or similar to those provided by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company’s other franchisees (hereinafter, “Competitive Business”); provided, however, that the term “Competitive Business” shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings stated here, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Trade Secrets and Confidential Information

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

(a) For the purposes of this Agreement, a “Trade Secret” is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, recipes compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the Con Azucar Café Business that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper

means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(b) For the purposes of this Agreement “Confidential Information” means technical and non-technical information used in or related to Con Azucar Café that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure according to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

(c) Any information expressly designated by Company or Franchisee as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

2. Confidentiality/Non-Disclosure

(a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential according to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

(b) Individual’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual’s relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a Con Azucar Café Business.

3. Non-Competition

(a) During the term of Individual’s relationship with Franchisee and for a period of two (2) years after the expiration or termination of Individual’s relationship with Franchisee,

regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, divert or attempt to divert any business or customer of Franchisee or the Company to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company's service mark "Con Azucar Café" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with Con Azucar Café or the Company's uniform standards, methods, procedures and specifications for the establishment and operation of a Con Azucar Café business.

(b) During the term of Individual's relationship with Franchisee and for a period of two (2) years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, offer Competitive Business services anywhere within a twenty-five (25) mile radius of any Con Azucar Café location without the express written consent of Franchisee and the Company.

(c) During the term of Individual's relationship with Franchisee and for a period of two (2) years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any business associate of Franchisee, Company or any other Con Azucar Café Business to compete against, or terminate or modify his, her or its business relationship with, Franchisee, Company or any other Con Azucar Café Business.

4. Reasonableness of Restrictions

Individual acknowledges that each of the terms stated here, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

5. Relief for Breaches of Confidentiality, Non-Solicitation, and Non-Competition

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and/or Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or

to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

6. Dispute Resolution

(a) **Choice of Law.** Except as to claims governed by federal law, the local law where the Franchised Business is located governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

(b) **Jurisdiction and Venue.** You and we agree that venue and jurisdiction for any Claims, except those required to be submitted to arbitration, shall be proper solely in the state and federal court nearest to our corporate headquarters.

(c) **Jury Waiver.** In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

(d) **Class Action Waiver.** You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

(e) **Punitive Damages Waiver.** As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

(f) **Limitation of Actions.** You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

(g) **Prior Notice of Claims.** As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

(h) **Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as in Section 6(g) above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

(i) **Mediation and Arbitration.** Before you may bring any Claim against us court, you agree to try for a period of sixty (60) days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”), and split any AAA and mediator fees equally.

If mediation is unsuccessful and you decide to pursue a legal claim against us, you agree to bring such claim solely in binding arbitration conducted in the city or county of our

headquarters in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

(j) **Waiver of Bond.** You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

(k) **Attorney Fees.** If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

7. Miscellaneous

(a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

(b) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

(c) The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

(d) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

(e) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.

(f) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS

HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD-PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

FRANCHISEE:

By: _____

Its: _____

INDIVIDUAL:

Signature: _____

Name Printed: _____

**SCHEDULE 3 TO THE FRANCHISE AGREEMENT
UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS**

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

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement dated _____ herewith ("Agreement") by Con Azucar Café Franchise, LLC ("Franchisor"), each of the undersigned hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Franchisee's breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Sections 6, 7, and 17 of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several; (b) it shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person or entity; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

This Guaranty represents the entire agreement and understanding of these parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

Successors and Assigns; Death of Guarantor. This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations

created or arising after Guarantor's death.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the Franchisor's state of formation (without giving effect to principles of conflicts of law).

Dispute Resolution. You agree to be bound by the Dispute Resolution provisions found in Section 23 of any Franchise Agreement between the parties as if set forth here and as being equally applicable to this Guaranty and the dealings of the parties hereunder.

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

SCHEDULE 4 TO THE FRANCHISE AGREEMENT

LEASE ADDENDUM

Landlord	
Landlord Name:	
Landlord Address:	
Landlord Phone Number:	

Franchisor	
Franchisor Name:	Con Azucar Café Franchise, LLC
Franchisor Address:	101 E Santa Clara Street San Jose, CA 95113
Franchisor Phone Number:	(408) 202-4668

Tenant	
Tenant Name:	
Address of Leased Premises:	
Date of Lease:	

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Con Azucar Café business (or any name authorized by Franchisor).

2. Notice of Default and Opportunity To Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within ten (10) days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease, subject to Landlord’s approval in its reasonable discretion. To exercise this option, Franchisor must notify Landlord within ten (10) days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Landlord and Tenant consent to allow Franchisor to assume any existing term of the Lease (the “Assumption”), provided that any and all defaults have been cured and all payments due under the Lease are current, and to enter into a written agreement providing for such Assumption. In the event of an Assumption, Landlord will deliver possession of the Leased Premises to Franchisor free and clear of any rights of the Tenant or any third party. Landlord further consents to give Franchisor the right, following the Assumption, to assign its interest in the Lease or to sublet the Leased Premises to another franchisee of Franchisor with reasonable consent from the Landlord.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Leased Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of Franchisor’s brand, subject to Landlord’s approval in its reasonable discretion.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises within ten (10) days of such expiration or termination, to take any such actions as may be consistent with its rights under this Lease Addendum or to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols.

8. No Liability. By executing this Addendum, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

By: _____
Name: _____
Title: _____

TENANT:

By: _____
Name: _____
Title: _____

FRANCHISOR:

Con Azucar Café Franchise, LLC

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

SCHEDULE 5 TO THE FRANCHISE AGREEMENT

ACH PAYMENT AGREEMENT

Corporate Address:

Con Azucar Café Franchise, LLC

101 E Santa Clara Street
San Jose, CA 95113

I (we) hereby authorize Con Azucar Café Franchise, LLC (THE COMPANY) to initiate entries to my (our) checking/savings accounts at the financial institution listed below (THE FINANCIAL INSTITUTION), and, if necessary, initiate adjustments for any transactions credited/debited in error. This authority will remain in effect until THE COMPANY is notified by me (us) in writing to cancel it in such time as to afford THE COMPANY and THE FINANCIAL INSTITUTION a reasonable opportunity to act on it. Please print.

Company Name _____

A/C Holder Name _____

Address _____

Name of Financial Institution _____

Address of Financial Institution - Branch, City, State, & Zip _____

Financial Institution Routing Number: _____

Checking/Savings Account Number: _____

Recurring Royalty Charge: last day of each month

Recurring Material Charge: NET 10 days

[IMAGE OF CHECK HERE SHOWING ROUTING NUMBER AND ACCOUNT NUMBER]

Signature

DATE _____		1025
PAY TO THE ORDER OF _____		\$ _____
		DOLLARS
Routing #	Account #	
MEMO		
"000000000"	"000000000"	1025

Date _____

**SCHEDULE 6 TO THE FRANCHISE AGREEMENT
HOLDERS OF LEGAL OR BENEFICIAL INTEREST
IN FRANCHISEE; OFFICERS; DIRECTORS**

Holders of Legal or Beneficial Interest:

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Officers and Directors:

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

SCHEDULE 7 TO THE FRANCHISE AGREEMENT
STATE ADDENDA TO THE FRANCHISE AGREEMENT

CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Section 16.2 is deleted and in its place are substituted the following:

16.2.1 Termination by Us Without Right to Cure. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 16.2.2 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

16.2.2 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and a 60 day opportunity to cure, for any other breach of this Agreement.

The following text is added to the Franchise Agreement:

“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.”

Con Azucar Café Franchise, LLC

[FRANCHISEE]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ILLINOIS ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

2. Your rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

5. 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 behalf of the Franchisor. This provision supersedes any term of any other document executed in connect with the franchise.

Con Azucar Café Franchise, LLC

[FRANCHISEE]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**MARYLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

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

3. A Release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. 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.

5. The Franchise Agreement is amended to also provide: "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement."

Con Azucar Café Franchise, LLC

[FRANCHISEE]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**MINNESOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

The franchisor defers the receipt of the initial franchise fee until the franchised business is open.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a Release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

Any Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

Con Azucar Café Franchise, LLC

[FRANCHISEE]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**NORTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. You are not required to sign a Release upon renewal of the franchise agreement.

2. The franchise agreement is amended to also provide as follows:

"Covenants not to compete are generally considered unenforceable in the State of North Dakota."

3. The provisions concerning choice of law, jurisdiction and venue, jury waiver, and waiver of punitive damages are hereby deleted and in their place is substituted the following language:

"You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association."

4. North Dakota law governs any cause of action arising out of the franchise agreement.

5. Any requirement in the Franchise Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

6. The franchise agreement is modified to also state that the franchisor defers the receipt of the initial franchise fee until all initial obligations owed to the franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee is open for business.

Con Azucar Café Franchise, LLC

[FRANCHISEE]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**RHODE ISLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

5. You agree to bring any claim against us, including our present and former employees and agents, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

Con Azucar Café Franchise, LLC

[FRANCHISEE]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**SOUTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. The Franchise Agreement is clarified to also indicate that 50% of the initial franchise fee and 50% of royalties are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

Con Azucar Café Franchise, LLC

[FRANCHISEE]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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.

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

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 \$500,000 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.

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.

The undersigned does hereby acknowledge receipt of this addendum.

Con Azucar Café Franchise, LLC

[FRANCHISEE]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**WISCONSIN ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- 1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

- 2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

Con Azucar Café Franchise, LLC

[FRANCHISEE]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

EXHIBIT C

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EXHIBIT D
FINANCIAL STATEMENTS

Con Azucar Cafe Franchise, LLC.

Financial Statements

May 8, 2025

(With Independent Auditors'
Report Thereon)

SMITH, BUZZI & ASSOCIATES, LLC.
CERTIFIED PUBLIC ACCOUNTANTS
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MIAMI, FLORIDA 33173
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ELIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of
Con Azucar Cafe Franchise, LLC.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Con Azucar Cafe Franchise, LLC., which comprise the balance sheet as of May 8, 2025 and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Con Azucar Cafe Franchise, LLC. as of May 8, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Con Azucar Cafe Franchise, LLC's ability to continue as a going concern for the period ended May 8, 2025.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 Con Azucar Cafe Franchise, LLC'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 Con Azucar Cafe Franchise, LLC'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.

Smith, Goff & Associates, LLC

Miami, Florida
May 12, 2025

Con Azucar Cafe Franchise, LLC.

Balance Sheet

May 8, 2025

<u>Assets</u>	
Cash	<u>\$100,000</u>
Total assets	<u>\$100,000</u>
<u>Liabilities and Members' Equity</u>	
Liabilities	
Deferred franchise fee	<u>\$ -</u>
Total liabilities	<u>-</u>
Members' Equity	<u>100,000</u>
Total Members' Equity	<u>100,000</u>
Total Liabilities and Members' Equity	<u>\$100,000</u>

See accompanying notes to financial statements.

Con Azucar Cafe Franchise, LLC.

Notes to Financial Statements

May 8, 2025

2. Summary of Significant Accounting Policies

Con Azucar Cafe Franchise, LLC. ("Company") was formed in the State of California in April 2025. The principal purpose of the Company is to offer and sell franchises that offer Mexican inspired coffee shops serving a variety of coffees and teas, sandwiches and small bites and more in a restaurant setting.

a) Method 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 (GAAP).

b) Property and Equipment

Property and equipment will be stated at cost. Depreciation will be computed using the straight line method of depreciation over the estimated useful life of the assets, which are 5 years.

For federal income tax purposes, depreciation will be computed using the appropriate accelerated methods allowed for tax purposes.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment will be capitalized. Expenditures for maintenance and repairs will be charged to expense as incurred.

c) Franchise Revenues

Income will principally be comprised of revenues earned by the Company as part of the franchise sales to customers. Additional revenues earned by the Company are expected from the sales of marketing materials and other services to the franchisees and royalties.

The Company recognizes its franchise revenues in accordance with Statement of Financial Accounting Standards ASC 606, which allows that franchise fees from franchise sales be recognized, net of an allowance for uncollectible amounts, if the initial "franchise fee" is distinct from the franchise license. A portion of the initial franchise fee is allocated to certain distinct performance obligations and is recognized as revenue when the Company has determined it has provided substantially all of its material obligations required to recognize revenue related to those distinct performance obligations. Initial franchise fees generally consist of pre-opening services determined by Franchisor that are separate and distinct (typically upfront and not brand specific) such as

May 8, 2025

2. Summary of Significant Accounting Policies - (Cont.)

c) Franchise Revenues/Deferred Revenues - (Cont.)

training, site selection, etc. and could be provided by a third party. Other components of the fee are deferred and recognized as other obligations of the agreement or conditions relating to the sale have been substantially performed or satisfied by the franchisor.

The Company recognizes revenue when all of the following four criteria are met:

- persuasive evidence of a sales arrangement exists
- all material obligations have been provided
- the sales price is fixed or determinable and
- collectability is probable

The individual franchise agreements typically have a set year initial term, but provide the franchisee with an opportunity to enter into renewal terms subject to certain conditions.

Deferred revenue represents cash received from franchisees for franchise fees for which revenue recognition criteria has not been met. At May 8, 2025, \$0 in deferred franchise revenues were recorded.

d) Accounts Receivable

Trade accounts receivable will consist of amounts due for franchise sales, will be carried at their estimated collectible amounts and trade credit will be generally extended on a short-term basis; thus trade receivables do not bear interest. Trade accounts receivable are to be periodically evaluated for collectability based on past credit history with customers and their current financial condition.

The Company will use the reserve method of accounting for bad debts for financial reporting purposes and the direct write-off method for income tax purposes. Trade accounts receivable are charged against the allowance account when such receivables are deemed to be uncollectible. Management considers all unreserved accounts receivable to be collectible. As of May 8, 2025, a total of \$0 in accounts were reserved.

e) Income Taxes

The Company filed an election with the Internal Revenue service to be treated as a Limited Liability Corporation ("LLC") for all its taxable years. An LLC is not subject to corporate income tax. The Company's taxable income or loss and tax credits pass through to the members.

2. Summary of Significant Accounting Policies - (Cont.)

a) Income Taxes (Cont.)

The Company follows the provisions of Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

f) Cash Flows

For purposes of the statement of cash flows, cash equivalents consist of cash on hand and in banks.

g) Pervasiveness 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the balance sheet, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from estimates.

h) Long-Lived Assets

The Company reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No adjustment has been provided for in the financial statements.

Con Azucar Cafe Franchise, LLC.

Notes to Financial Statements

May 8, 2025

1. Summary of Significant Accounting Policies - (Cont.)

1) Concentrations, Risks and Uncertainties

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents. The Company maintains its cash in well-known financial institutions selected based upon management's assessment of the financial institution's financial responsibility.

3) Fair Value

The Company follows ASC 820-10, "Fair Value Measurements". ASC 820-10 provides a definition of fair value, establishes a framework for measuring fair value under Generally Accepted Accounting Principles ("GAAP") and requires expanded disclosure about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstance. The fair value of financial instruments to be classified as assets or liabilities including cash and trademarks approximate carrying value, principally because of the short maturity of those items.

2. Accounts Receivable

At May 8, 2025, the Company is owed \$0 from the sale of franchises. Management constantly evaluates balances due for assessing collectability.

3. Property and Equipment

Property and equipment at May 8, 2025, consists of the following:

Computer	\$	-
Office furniture and equipment		-
		-
Less accumulated depreciation		-
	\$	-

Depreciation expense for the period ended on May 8, 2025 amounted to \$0.

Con Azucar Cafe Franchise, LLC.

Notes to Financial Statements

May 8, 2025

4. Franchise Sales and Agreements

The Company will start offering franchises in May 2025.

The Company will enter into franchise agreements with its franchisees. Company's franchise agreements require the Company to provide various items to franchisees including, but not limited to, marketing and operational support.

5. Subsequent Events

Management has evaluated subsequent events through May 12, 2025, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.

EXHIBIT E-1

LIST OF CURRENT FRANCHISEES

The following is a list of the names of all Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

<u>State:</u>
N/A

Franchise Agreement Signed But Outlet Not Yet Open (as of December 31, 2024):

N/A

EXHIBIT E-2
FORMER FRANCHISEES

The following is a list of Franchisees who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

NONE

EXHIBIT F

FRANCHISEE DISCLOSURE QUESTIONNAIRE

Not to be used as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

You and we are preparing to enter into a Franchise Agreement. This Acknowledgement is to determine whether any statements or promises were made to you that we did not authorize or are untrue, inaccurate or misleading, to ensure you have been properly represented, and that you understand the limitations on claims you may make relating to your franchise. **You cannot sign or date this Acknowledgement the same day as the Receipt for the Franchise Disclosure Document. You must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses.

- Yes__ No__ 1. Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?
- Yes__ No__ 2. Do you understand all the information contained in the Franchise Agreement?
- Yes__ No__ 3. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes__ No__ 4. Do you understand all the information contained in the Franchise Disclosure Document?
- Yes__ No__ 5. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes__ No__ 6. Do you understand the risks of developing and operating this franchise?
- Yes__ No__ 7. Do you understand that your investment involves substantial business risks and that there is no guarantee that your business will be profitable?
- Yes__ No__ 8. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, the economy, labor and supply costs and other relevant factors?
- Yes__ No__ 9. Do you acknowledge that the success of your franchise in large part relies upon your ability as an independent business person and your active participation in the day to day operation of the business?

Yes___ No___ 10. Do you agree that no employee or other person speaking on our behalf has made any statement, promise, or agreement, that is contrary to or different from what is stated in the Franchise Disclosure Document and Franchise Agreement?

Yes___ No___ 11. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue you will generate, that is not contained in Item 19 of the Franchise Disclosure Document or that is contrary to, or different from, the information contained in Item 19 of the Franchise Disclosure Document, and that you have not made a decision to purchase your franchise based on any such representations?

Yes___ No___ 12. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning this franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of any 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 or Washington Franchise Investment Protection Act.

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.

By signing below, you are representing that you have responded truthfully to the above questions.

[Not to be signed as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

Name of Applicant (please print)

Signature

Date: _____

Explanation of any negative responses (Refer to Question Number):

EXHIBIT G

STATE ADDENDA TO THE DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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 FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this 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. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

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

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60-day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A

WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at <https://conazucarcafe.com/>.

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

The highest interest rate allowed by law in California is ten percent (10%) annually.

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

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

**HAWAII ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Hawaii Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THESE FRANCHISES 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 COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS 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 DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT 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.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813

**ILLINOIS ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.w. is modified to provide that Illinois law applies.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
4. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

2. Item 17.u. is modified to also provide, “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

Item 6 of the Disclosure Document is modified to reduce the fee for insufficient funds to \$30.

NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

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

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

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities,

antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

6. Franchise Questionnaires and Acknowledgements--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.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the North Dakota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Restrictive Covenants: To the extent that covenants not to compete apply to periods after the term of the franchise agreement, they are generally unenforceable under North Dakota law.

Applicable Laws: North Dakota law will govern the franchise agreement.

Jurisdiction and Venue: The provisions concerning choice of law and jurisdiction and venue are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

Waiver of Trial by Jury: Any waiver of a trial by jury will not apply to North Dakota Franchises.

WAIVER OF EXEMPLARY & PUNITIVE DAMAGES: ANY WAIVER OF PUNITIVE DAMAGES WILL NOT APPLY TO NORTH DAKOTA FRANCHISEES.

General Release: Any requirement that the franchisee sign a general release upon renewal of the franchise agreement does not apply to franchise agreements covered under North Dakota law.

Enforcement of Agreement: Any requirement in the Franchise Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Item 17(u) of the Disclosure Document is modified to provide that the site of mediation and arbitration shall be agreeable to all parties and may not be remote from the franchisee's place of business.

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.

**RHODE ISLAND ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

SECTION 19-28.1-14 OF THE RHODE ISLAND FRANCHISE INVESTMENT ACT PROHIBITS A FRANCHISEE TO BE RESTRICTED IN CHOICE OF JURISDICTION OR VENUE. TO THE EXTENT ANY SUCH RESTRICTION IS PURPORTED TO BE REQUIRED BY US, IT IS VOID WITH RESPECT TO ALL FRANCHISEES GOVERNED UNDER THE LAWS OF RHODE ISLAND.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.

WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Washington Franchise Investment Protection Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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.

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

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 \$500,000 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.

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.

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

Item 17.r. is modified to also provide that the post-term non-compete will only apply to a 25 mile radius of your Franchised Business.

**WISCONSIN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide:

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

EXHIBIT H

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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 I

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 Con Azucar Café Franchise, 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.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement or pay any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before you sign a binding agreement or pay any consideration, whichever occurs first.

If Con Azucar Café Franchise, 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 applicable state agency listed on Exhibit A.

The franchisor is Con Azucar Café Franchise, LLC located at 101 E Santa Clara Street, San Jose, CA 95113. Its telephone number is (408) 202-4668.

The issue date of this Disclosure Document is May 12, 2025.

The following is the name, principal business address, and telephone number of the franchise seller offering the franchise:

X	Alejandra Lucatero Gonzalez, 101 E Santa Clara Street, San Jose, CA 95113	(408) 202-4668
X	Micah Rodriguez, Franchise Creator, LLC, 7300 N. Kendall Dr., Suite 340, Miami, FL 33156	(305) 592-9229

Con Azucar Café Franchise, LLC authorizes the respective state agencies identified in Exhibit A to receive service of process for it in the particular state.

I have received a Disclosure Document dated May 12, 2025 that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement
 - Schedule 1-General Release
 - Schedule 2-Nondisclosure and Non-Competition Agreement
 - Schedule 3-Unlimited Guaranty and Assumption of Obligations
 - Schedule 4-Lease Addendum
 - Schedule 5-ACH Payment Agreement
 - Schedule 6-Holders of Legal or Beneficial Interest in Franchisee; Officers; Directors

Schedule 7-State Addenda to the Franchise Agreement

- C. Operations Manual Table of Contents
- D. Financial Statements
- E-1 List of Current Franchisees
- E-2 List of Former Franchisees
- F. Franchisee Disclosure Questionnaire
- G. State Addenda to the Disclosure Document
- H. State Effective Dates
- I. Receipts

Signed: _____

Individually

Street Address (domicile)

Name (Please Print)

City or Town/State/Zip Code

Dated: _____

Signed: _____

Individually

Street Address (domicile)

Name (Please Print)

City or Town/State/Zip Code

Dated: _____

and as officer(s), partner(s) or member(s) of _____, a
_____ (corporation) (partnership) (limited liability company) and any other
prospective franchisee entity (currently in existence or formed in the future) of which the above
individual(s) is an officer, partner or member.

**Please sign, date, and return this copy to us at Con Azucar Café Franchise, LLC, 101 E
Santa Clara Street, San Jose, CA 95113.**

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 Con Azucar Café Franchise, 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.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement or pay any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before you sign a binding agreement or pay any consideration, whichever occurs first.

If Con Azucar Café Franchise, 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 applicable state agency listed on Exhibit A.

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- H. State Effective Dates
- I. Receipts

Signed:_____

Individually

Street Address (domicile)

Name (Please Print)

City or Town/State/Zip Code

Dated:_____

Signed:_____

Individually

Street Address (domicile)

Name (Please Print)

City or Town/State/Zip Code

Dated:_____

and as officer(s), partner(s) or member(s) of _____, a
_____ (corporation) (partnership) (limited liability company) and any other
prospective franchisee entity (currently in existence or formed in the future) of which the above
individual(s) is an officer, partner or member.