



FRANCHISE DISCLOSURE DOCUMENT

LEFAB Franchisor, LLC (a Florida limited liability company)

76 Miracle Mile

Coral Gables, Florida 33134

(305) 456-1306

E-mail: hello@paletasmorelia.com

www.paletasmorelia.com

The franchise is for the establishment and operation of a retail store that sells premium desserts and other frozen novelties, namely, dairy-based and fruit-based gelato and sorbet bars that can be combined with a variety of fresh fruits, nuts, chocolate dipping's or other ingredients, as well as milkshakes, smoothies, and coffee beverages under the name "**Morelia Gourmet Paletas**".

The total investment necessary to begin operation of one Morelia franchise ranges from \$115,600 to \$208,500 for a kiosk, which includes \$58,500 to \$62,500 that must be paid to us or our affiliate, and \$162,500 to \$386,500 for an in-line retail unit, which includes \$58,500 to \$67,500 that must be paid to us or our affiliate.

Morelia multi-unit developers acquire the right to develop multiple Morelia Stores within a designated development area. The total investment necessary to begin operation as a multi-unit developer with two Morelia Stores is between \$180,000 and \$400,000. This total investment includes fees that must be paid to us or our affiliates, with \$98,500 on the low end if the first store is opened as a kiosk format, and \$107,500 on the high end if the first store is opened as a retail store unit.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different forms, contact Gilbert Arismendi, 76 Miracle Mile, Coral Gables, Florida 33134 and (561)779-0577.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read your contract carefully and in its entirety. It is strongly recommended that you 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 “Buying a Franchise: A Consumer Guide” 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.

Date of Issuance: June 11, 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 or former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
Is the franchisee 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 a retail store that sells desserts and other frozen novelties in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a “Morelia Gourmet Paletas” franchisee?	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this 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 can buy on your own.

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-Of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration only in Florida. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in Florida than in your own state.
2. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than the prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
3. **Financial Condition.** The Franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the Franchisor's financial ability to provide services and support to you.

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.

**NOTICE REQUIRED BY
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.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that the 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 terms except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (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 or under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

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

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

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

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

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

The fact 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 Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document (the “**Disclosure Document**”), “**we**” or “**us**” or “**our**” or “**Lefab Franchisor**” means Lefab Franchisor, LLC, the franchisor. “**You**” or “**your**” or “**Franchisee**” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from Lefab Franchisor.

The Franchisor

We are a Florida limited liability company formed on March 26, 2019, with its principal place of business at 76 Miracle Mile, Coral Gables, Florida 33134. We offer for sale franchised retail stores selling premium desserts and frozen novelties under the trademark “**MORELIA GOURMET PALETAS®**” (a “**Morelia Store**” or “**Franchised Business**”). In the future, we may offer under a Licensing and Distribution/Manufacturing Agreement to qualified franchisee candidates the ability to manufacture and/or distribute desserts and frozen novelties, including dairy-based and fruit-based gelato and sorbet bars, to sell them from their Franchised Business and distribute to our franchisees. We do business under the trade name **Morelia Gourmet Paletas** and do not do business under any other name. If we have agents in your state for service of process, they are disclosed in **Exhibit “A”** to this Disclosure Document.

We have been offering franchises for Morelia Stores since March 2019. We have never offered franchises for any other business other than those described herein.

Our Parents, Predecessors and Affiliates

We are a wholly owned subsidiary of Lefab Gourmet, Corp. (“**Lefab Corp.**”) Lefab Corp. is a Florida corporation that was formed on April 16, 2015, and it shares as our principal business address. We are a party to an intellectual property license agreement with Lefab Corp., which is the holder of our intellectual property. Lefab Corp. is owned by our principals, and it does not own or operate a business of the type being franchised, and it has not offered and does not currently offer franchises in this or any other line of business. Previously, Lefab Corp. offered license agreements, and in December 2019, each of our five operating licensees in the United States rescinded their license agreement, and certain of those licensees entered into a franchise agreement with us. As of the date of this Disclosure Document, one licensed unit is currently open outside of the United States in Mexico.

Our affiliate and a wholly owned subsidiary of Lefab Corp. is Lefab Manufacture, LLC (“**Lefab Manufacture**”), a Florida limited liability company that was formed on April 16, 2015. It shares our principal business address. Lefab Manufacture is a manufacturer and distributor of our frozen novelty products and distributes such products to Morelia Store locations throughout Florida. Lefab Manufacture may be designated as the only approved supplier for any of the proprietary items that are developed by us, including without limitation, proprietary food items that are used and sold at retail by your Franchised Business. Lefab Manufacture does not operate any Morelia franchises and has never offered franchises in any line of business.

Certain of our affiliates operate a Morelia Gourmet Paletas business that is similar to the Morelia franchise that we will offer and sell herein (the “**Affiliate-Owned Units**”).

Our affiliate, a wholly owned subsidiary of Lefab Corp. is Lefab Commercial, LLC (“**Lefab Commercial**”), which is a Florida limited liability company that was formed on April 16, 2015, and that shares our principal business address . Lefab Commercial owns and operates a Morelia Store located at 76 Miracle Mile, Coral Gables, Florida 33134, which is similar to the business being franchised hereinunder. Lefab Commercial does not operate any Morelia franchises and has never offered franchises in any line of business.

Another affiliate and wholly owned subsidiary of Lefab Corp. is Lefab Commercial II, LLC (“**Lefab Commercial II**”), a Florida limited liability company formed on August 23, 2018. Its principal business address is 1919 Hollywood Boulevard, Hollywood, Florida 33020. Lefab Commercial II owns and operates a Morelia Store that is located at 1919 Hollywood Boulevard, Hollywood, Florida 33020. Lefab Commercial II does not operate any Morelia franchises and has never offered franchises in any line of business.

Our affiliate and wholly owned subsidiary of Lefab Corp. is Lefab Affiliates, LLC (“**Lefab Affiliates**”), a Florida limited liability company that was formed on March 15, 2019, and that shares our principal business address. Lefab Affiliates does not operate any Morelia franchises and has never offered franchises in any line of business.

Our affiliate and wholly owned subsidiary of Lefab Corp. is Lefab Coconut Grove, LLC (“**Lefab Coconut Grove**”), a Florida limited liability company formed on April 4, 2019, and which is a joint venture between Marcos Vicente and Leonardo Romero, as Managers, and Lefab Affiliates. Its principal business address is 3437 Main Highway, Coconut Grove, Florida 33133. Lefab Coconut Grove owns and operates a Morelia Store located in Coconut Grove, Florida. Lefab Coconut Grove does not operate any Morelia franchises and has never offered franchises in any line of business.

Our affiliate and wholly owned subsidiary of Lefab Gourmet, Corp. is Lefab Commercial Houston I LLC, (“**Lefab Houston I**”), a Texas limited liability company that was formed on June 28, 2021. Its principal business address is 5900 Balcones Drive, Suite 100, Austin, TX 78731. Lefab Houston I owns and operates a Morelia Store that is located in Sugar Land, Texas. Lefab Houston I does not operate any Morelia franchises and has never offered franchises in any line of business.

Our affiliate and wholly owned subsidiary of Lefab Gourmet, Corp. is Lefab Commercial Houston II LLC, (“**Lefab Houston II**”), a Texas limited liability company that was formed on September 23, 2022. Its principal business address is 76 Miracle Mile, Coral Gables, Florida 33134. Lefab Houston I does not operate any Morelia franchises and has never offered franchises in any line of business.

We do not have any predecessors during the ten (year period immediately before the close of our most recent fiscal year.

The Franchise

We grant Morelia franchises to qualified candidates for the right to develop and operate one Morelia Store. The following options are currently available: an in-line retail unit or a kiosk, and we anticipate offering food trucks in the future. Each will operate under the name **Morelia Gourmet Paletas**. The total initial investment for an in-line retail unit and kiosk is described in Item 7 of this Disclosure Document.

A Morelia Store sells premium desserts and other frozen novelties, namely, dairy-based and fruit-based gelato and sorbet bars that can be combined with a variety of fresh fruits, nuts, chocolate dipping's or other ingredients, as well as milkshakes, smoothies, and coffee. We refer to this business as the "**Franchised Business**" or a "**Morelia Store**" in this Disclosure Document. You must sign our standard Franchise Agreement (the "**Franchise Agreement**") in the form attached as **Exhibit "B"** to this Disclosure Document. Under the Franchise Agreement, we will grant you the right, and you will accept the responsibility, to establish and operate one Morelia Store at a mutually agreed upon location (the "**Approved Location**").

The Franchised Business will operate under the trade name and service mark "Morelia Gourmet Paletas" and will use other trade names, service marks, trademarks, logos, emblems and indicia of origin that we designate for use by Morelia businesses (the "**Marks**"). We use and license others to use the Marks and our proprietary operating system, which includes trade secret recipes developed for the operation of a Franchised Business (the "**System**"). The System includes readily recognized color schemes, designs and layouts for the Morelia Store; specialized paper products, signs, point of purchase displays; logos, trade names, trademarks and service marks identifying the Morelia Store; proprietary food products, services and related products; methods for displaying and merchandising products and methods for operating the Morelia Store.

A Morelia Store is typically located in a common area located in a shopping mall or mall-type setting or in an in-line retail unit. The ideal size for a Morelia Store located in a free-standing kiosk is 150 square feet, with an external storage unit within the mall or commercial location for two additional chest freezers to store the safety stock inventory. The ideal size for a Morelia Store located in an in-line retail setting is 650 square feet; however, it can range between 400 square feet to 1,000 square feet by modifying the serving area and inventory space. We may, in our discretion, license franchisees to open Morelia Stores in non-traditional locations.

We also offer a Multi-Unit Development Agreement (the form of which is included as **Exhibit "C"** to this Disclosure Document) to qualified persons or entities (a "**Multi-Unit Developer**"), which grants the right to establish and operate multiple Morelia Stores in a defined area (the "**Development Area**") at specific locations that must be approved by us, each under a separate franchise agreement entered into with us. You must sign our then-current form of franchise agreement for each business that you open. We will enter into Multi-Unit Development Agreements under which at least three Morelia Stores will be developed. Multi-Unit Developers must open each Morelia Store following the Development Schedule set forth in the Multi-Unit Development Agreement.

General Description of the Market and Competition

Morelia Stores serve the general public. Our business is highly competitive. Fluctuations in the taste and habits of the public, local and national economic conditions, population density, and general traffic conditions affect this industry and are generally difficult to predict. You will have to compete with health food, fast food and dessert food outlets of all styles and formats, including frozen yogurt and ice cream stores, offering similar products within the trade area in which you operate, and national and local restaurants that offer ice cream and gelato and additional menu items. Many of our competitors are well-established national, regional and local. It is possible that your Morelia Store will be surrounded by competitive businesses, perhaps in the same building, shopping center, development or complex as your Morelia Store. You may also encounter competition from other Morelia Stores operated by us or other franchisees.

The market for the services and products offered by a Morelia Store is well-established and year-round, although sales volumes will vary due to weather and seasonality, which may be even more pronounced in certain geographical areas or at some locations.

Applicable Government Regulations

Your Morelia Store will be subject to laws and regulations affecting businesses generally. These laws include tax regulations, labor laws, business licensing requirements, laws relating to site selection and building construction, such as the American with Disabilities Act, and laws regulating the storage, preparation, labeling and sale of food to the public. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain real estate permits, licenses, and operational licenses. Federal, state and local laws and regulations also regulate businesses handling food and food products, in particular, refrigerated and frozen food items, and these laws and regulations will apply to your business. Laws affecting businesses generally also include restrictions against smoking in public places, the public posting of notices regarding health hazards, fire safety and general emergency preparedness laws, rules regarding the proper use, storage and disposal of waste, insecticides and other hazardous materials, and standards regarding employee health and safety. Morelia Stores will also be subject to employment laws such as the Fair Labor Standards Act and various state laws governing such matters as minimum wages, overtime and working conditions.

As a food service business, you will be subject to laws setting sanitation standards and forbidding false or misleading nutritional claims and other types of false advertising. You must keep current all licenses, permits, and certifications required by any federal, state or local government agency in connection with the operation of a Morelia Store. You should carefully review these laws with your own attorney to be sure that you understand and comply with all of these requirements.

Because you will accept credit cards, you will also have to comply with any general laws and regulations relating to the acceptance of credit cards, including the Payment Card Industry (“PCI”) Data Security Standard (“DSS”). Compliance with the PCI DSS is your responsibility. You must also comply with data privacy laws and regulations that apply to electronic marketing, like faxes, emails, text messaging and telemarketing. There are also state and federal laws and regulations that apply to credit transactions, such as the Federal Truth in Lending Act and Regulation Z, and various other credit related statutes like the Equal Credit Act and Fair Debt Collection Practices Act. These laws and regulations vary from state to state and may affect your operations.

There may be other laws applicable to your business. It is your responsibility to investigate any applicable laws as they relate to operating a Morelia franchise. You should consider these laws and regulations when evaluating your purchase of a franchise and you should consult with your attorney and local, state and federal government agencies to determine all legal requirements and consider their effects on you and cost of compliance. It is your sole responsibility to investigate, satisfy and remain in compliance with all local, state and federal laws, since they vary from place to place and can change over time. You must keep current all licenses, permits, and certifications required by any federal, state or local government agency in connection with the operation of a Morelia franchise.

ITEM 2
BUSINESS EXPERIENCE

PRESIDENT; CHAIRMAN: Leonardo Romero

Leonardo Romero has served as our President since our inception. Since January 2013, he has also served as a Marketing Director for Procter & Gamble in Brazil.

VICE PRESIDENT: Fernando A. Falasca

Fernando A. Falasca has been Vice President of our company since our inception. Since August 2018, he has also served as a Brand Director for Procter & Gamble in Panama.

GENERAL MANAGER: Gilbert Arismendi

Gilbert Arismendi is a partner and has served as our General Manager since our inception.

CO-OWNER; CONSULTANT: Alexander Kassab

Alexander Kassab has been a Co-Owner and Shareholder since inception. He also served as our Director of Marketing since inception until April 2022. He currently also serves as Chief Executive Officer of Vitabox, Inc., located in Miami, Florida, and has done so since 2015.

DIRECTOR OF MARKETING: Luis D. Correa

Luis D. Correa has been our Director of Marketing since April 2022. He previously served as Commercial Director of Marketing Now, in Caracas, Venezuela from 2009 to 2018. He also served as Commercial Director for Jaguar, Land Rover in Bogota, Colombia in 2020.

SUPPLY DIRECTOR; DIRECTOR OF RESEARCH AND DEVELOPMENT: Bassam Ismael Askul

Bassam Ismael Askul has been the Supply Director and Director of Research and Development for our company since our inception. He previously served as our Director of Research and Development from January 2015 to June 2016 and as a Production Planner from June 2016 to June 2017.

ITEM 3
LITIGATION

There is no litigation required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

There is no bankruptcy information required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Franchise Agreement

Initial Franchise Fee

The initial franchise fee for a single retail storefront or a kiosk is \$49,500 and is payable in full upon execution of the Franchise Agreement (the “**Initial Franchise Fee**”). We reserve the right to increase the amount of the Initial Franchise Fee if you also manufacture dairy-based and fruit-based gelato and sorbet bars.

We are not required to refund your Initial Franchise Fee under any conditions. We have no intention, now or in the future, of reducing the Initial Franchise Fee for any prospective franchisee, although we reserve the right to do so in our sole discretion, on a case-by-case basis, or if we run a franchise marketing promotion.

We use the Initial Franchise Fee to provide support services to our franchisees. Except as provided herein, we charge the Initial Franchise Fee uniformly to all franchisees.

Multi-Unit Development Agreement

We also offer Multi-Unit Development Agreements under which you agree to open and operate an agreed number of Morelia Stores within a specific geographic area according to an agreed development schedule (“**MUDA**”). If you enter into a MUDA, you will pay us a non-refundable Multi-Unit Development Fee at the time of signing the Multi-Unit Development Agreement. The amount of the multi-unit development fee will depend on the number of locations to be opened. For each location, you will have to sign a separate individual unit franchise agreement in our then-current form of franchise agreement, which may be different than our current form of franchise agreement. The Multi-Unit Development Fee (“**Multi-Unit Development Fee**”) will serve as a full credit against the initial franchise fees for each location (including the first location), so that you will not be required to pay an Initial Franchise Fee at the time you sign each Franchise Agreement for each location.

The Multi-Unit Development Fee is as follows: For two locations, the Multi-Unit Development Fee is \$89,500. For three locations, the Multi-Unit Development fee is \$124,500. For more than three locations, the Multi-Unit Development Fee is \$124,500 plus \$30,000 for each additional location. For ten locations, the fee is \$334,500. The Multi-Unit Development Fee is fully earned by us upon receipt and is not refundable under any circumstances, regardless of the number of units you open.

Number of Morelia Stores	Multi-Unit Development Fee Due at Signing
2	\$89,500
3	\$124,500
Additional Stores	\$124,500 + \$30,000 each additional store (For ten stores, the total is \$334,500)

Initial Inventory

If you open a Morelia kiosk, you must pay our affiliate Lefab Manufacture between \$6,000 to \$10,000 for your initial purchase of paletas. If you open an in-line retail unit, you must pay Lefab

Manufacture between \$6,000 to \$15,000 for your initial purchase of paletas prior to opening your Franchised Business. Payment for your initial inventory is non-refundable.

Initial Training

We provide initial training, at a location that we designate, for up to four trainees, which includes you or your operating principal. The fee for up to four trainees to attend for our Initial Training program is \$3,000 and is payable to us. If you send more than four people to initial training, with our prior consent, we will charge you an additional fee of \$500 per day for each additional person. Should you or your assigned manager fail to satisfactorily complete the initial training program, we may, in our sole discretion, allow you or your assigned manager to repeat training at the current training fee of \$500 per day. Failure to attend the initial training program is a material default and grounds for termination. Training fees are payable before you begin initial training and are uniform and non-refundable. You must pay for all travel, meals and lodging expenses. See Item 11 for more information on training.

**ITEM 6
OTHER FEES**

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Royalty Fee	6% of Net Sales ⁽²⁾	Monthly on the 10 th calendar day for the immediately preceding month (or such other date as we designate in the Operations Manual or otherwise in writing).	You must pay the Royalty Fee by electronic funds transfer.
Marketing Fee	3% of Net Sales ⁽³⁾	Due with the same frequency and collected in same manner as the Royalty Fee.	You must pay the Marketing Fee by electronic funds transfer. (See Item 11).
Loyal Advertising Payment	The difference between the amount you spend on local advertising each month and your required local advertising expenditure (1% of Net Sales)	Payable after receipt of invoice	If you fail to meet your required advertising requirement on local advertising, you must pay the difference between the amount you spent and the required advertising expenditure, which will be contributed to the MF Account or us.
Technology Fee ⁽⁵⁾		Monthly	

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
	Approximately \$400 per month		You will pay this fee to us which will commence upon opening your Franchised Business. This fee is subject to increases by the POS System vendor or if we change our technology specifications in our discretion. Because this fee is largely determined by third party vendor costs, we reserve the right to increase this fee upon notice . This fee may be increased by actual costs plus a 10% administrative fee.
Local and Regional Advertising Cooperatives ⁽⁴⁾	Established by cooperative members but not exceeding 1% of Net Sales. Currently, there are no cooperatives.	As established by cooperative members	If we authorize an Advertising Cooperative, fees that you pay to the cooperative will count toward the satisfaction of your Local Marketing requirement.
Interest Charge on Late Payments	1.5% per month or the highest amount allowed by applicable law, whichever is less (the “Default Rate”)	On demand	Only required if payment is late.
Late Fee	\$100	On demand.	Only required if any payment or report is late.
Audit Fee	Cost of audit plus interest on underpayment at Default Rate	Immediately upon determination by audit.	Payable only if we find, based on an audit, that you have understated amounts owed to us by 2% or more.
<p>Transfer Fee</p> <p>(a) All transfers except as provided in (b) below.</p> <p>(b) Transferee is an entity controlled and owned by current Franchisee or upon</p>	<p>\$15,000</p> <p>No charge.</p>	The Transfer Fee is paid upon application to transfer	The Transfer Fee is paid to us.

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Franchisee's death or disability to a spouse, parent or child.			
Renewal Fee	50% of the then-current initial franchise fee	Signing of renewal Franchise Agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter a successor franchise agreement. There is no Renewal Fee for the first five-year renewal term.
Indemnification	Will vary under circumstances	On demand	You must indemnify us when certain of your actions result in loss or damage to us.
Costs and Attorneys' Fees	Will vary under circumstances	On demand	You will reimburse us for all costs, including reasonable attorneys' fees, as a result of your default and to enforce and terminate the Agreement.
Alternative Supplier Approval	Reasonable costs and expenses of inspection and testing are estimated to range from \$500 to \$2,000.	As invoiced	We may require you to pay us for our reasonable costs and expenses if we evaluate a proposed product, service or supplier at your request.
Liquidated Damages	Amount equal to the average Royalty Fees for the last 12 months (or shorter period, if Franchised Business has been in operation less than 12 months), multiplied by: 24 or the number of months remaining in the term, whichever is less.	On demand	We may require you to pay us this amount in the event you terminate the Franchise Agreement without cause, or we terminate the Franchise Agreement for cause
Insurance - Reimbursement of Costs	Amount of unpaid premiums and our reasonable expenses	As invoiced	Payable only if you fail to purchase and maintain or provide adequate evidence of any required insurance coverage.

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Initial Training / Additional Training /	<p>The fee for up to four trainees to attend for our Initial Training program is \$3,000. The fee for each additional trainee to participate in initial training is \$500.</p> <p>In the event supplemental training is required or the initial training program is required to be repeated, at Franchisor's discretion, such training shall be provided at a rate of \$500 per person per day. In addition, you are responsible for all costs of travel, food and lodging incurred by you and us.</p>	As incurred prior to beginning of additional training	<p>The fee for additional training is paid to us.</p> <p>We reserve the right to hold mandatory training sessions and/or periodic conferences.</p>
Proprietary Product Purchases ⁽⁶⁾	Varies	As incurred	<p>You must purchase certain products from us or our designer. You must pay in full for goods you buy from us in accordance with their payment terms, as periodically revised by us. We may establish and modify payment terms for your Franchised Business. We will make a profit on the sale of products to you.</p>

NOTES:

1. All fees and expenses described in this chart are non-refundable. All fees are uniformly imposed. Except as otherwise indicated in the chart above, we impose all of the fees and expenses listed, and they are payable to us. We may require you to pay any or all periodic or recurring fees to us by electronic funds transfer. We require you to sign the Pre-Authorized Bank Forms attached as **Exhibit "F"** to the Franchise Agreement.

2. Royalty Fee payments will be charged based on Net Sales. "Net Sales" means the total gross amount of all revenues, excluding only (a) sales tax or other receipts you collect and remit to the proper taxing authorities; (b) tips and refunds; and (c) authorized coupon or other promotional discounts you provide to your customers. Included in the definition is revenue from whatever source derived (whether in the form of cash, credit, agreements to pay, or other

consideration (such as bartering), and whether or not payment is received at the time of sale or any of those amounts prove uncollectible. Also included is revenue that in any manner at all arises from or is derived by you or by any other business conducted or which originate in, on, from or through the Franchised Business. This includes revenue you derive through the Franchised Business, from the sale of products associated with it, and revenue derived from your use of the Marks, whether or not you conduct those operations in compliance with or in violation of this Agreement. We reserve the right to institute policies in the Operations Manual or otherwise in writing and from time to time, regarding the inclusion of Net Sales of any pre-paid goods or services (including, without limitation, gift cards and gift certificates) and their delivery and redemption.

3. You may receive a refund of up to 1% of Net Sales if you adhere to any investment recommendations that we may provide with respect to dining review aggregator platforms for restaurants, i.e. YELP and local influencers.

4. If three or more Morelia franchises are operating within a market designated by us, we reserve the right to establish and require your participation in a local or regional advertising cooperative within a geographic area, region, or market designated by us. If a local or regional advertising cooperative is established within a market that includes your Store franchise, you will be required to participate in the cooperative and make on-going payments to the cooperative in such amounts and subject to such caps as established by the cooperative members. We anticipate that Morelia franchise will have one vote for each Morelia franchise location located within the cooperative market and that cooperative decisions shall be made based on approval of a simple majority vote based on a quorum of not less than 25% of the designated cooperative members. Contributions to a local or regional cooperative that we designate shall count toward the satisfaction of your local marketing obligations and shall not exceed 1% of your month's Net Sales.

5. The Technology Fee covers certain technologies used in the operation of your Franchised Business. This fee may include fees paid to third-party vendors and it may be adjusted to reflect their price increases. If we add or remove services included in your Technology Fee, we may increase or modify the Technology Fee upon 30 days' written notice to you. You will also be responsible for any increase in fees that result from any third-party vendor price increase, upgrades, modifications or additional software.

6. We will provide you, as a separate schedule or addendum to the Operations Manual, with a list of items you will need to purchase for resale or to operate your Morelia Store and, if required, a list of Approved Suppliers, which may be limited to us or our affiliates, for some or all of these items. We can modify such schedules or lists at any time and in our sole discretion. We can require payment in full for products and estimated shipping charges when you place an order.

If you are in default of your Franchise Agreement, we will have no obligation to sell products to you. You must purchase other commercially available, non-proprietary products and services for the Franchised Business. We or an affiliate may offer to sell you some of these on a non-exclusive basis.

You must purchase products purchased from us or our affiliate(s) on the terms and at the time we set when we offer or sell you the products or in the Operations Manual.

**ITEM 7
INITIAL INVESTMENT**

**MORELIA STORE
IN-LINE RETAIL UNIT**

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$49,500	Lump Sum	When you sign the Franchise Agreement	Us
Leasehold Improvements and Construction ²	\$40,000 to \$130,000	Lump sum	As incurred	Contractor, Designated sources and other Third Parties
Furniture, Fixtures and Equipment (including point of sale/cash register system) ³	\$30,000 to \$60,000	Lump Sum	As arranged	Suppliers
Permits and Licenses ⁴	\$2,000 to \$5,000	As Incurred	Before opening	Governmental Agencies
Signs/Menu Boards ⁵	\$4,000 to \$10,000	Lump Sum	Before opening	Suppliers
Initial Inventory ⁶	\$6,000 to \$15,000	Cash on Delivery; Invoice	As incurred	Us or Approved Supplier
Grand Opening Advertising ⁷	\$10,000 to \$15,000	As Arranged	Before opening	Suppliers, Media
Training Expenses ⁸	\$1,000 to \$3,000	Lump Sum	As incurred	Airlines, Hotels, etc.
Training Fee	\$3,000	Lump Sum	As incurred	Us
Professional Fees ⁹	\$1,500 to \$20,000	As Agreed	As agreed	Attorney, Accountant

Utility Deposits ¹⁰	\$500 to \$2,000	As Arranged	As incurred	Utility Providers
Rent Expense ¹¹	\$4,000 to \$41,000	As Agreed	As incurred	Landlord
Insurance ¹²	\$1,000 to \$3,000	As Agreed	As incurred	Insurance Companies
Additional Funds for First 3 Months ¹³	\$10,000 to \$30,000	As Agreed	As Agreed	Third Parties
Total¹⁴	\$162,500 to \$386,500			

Except as otherwise described below, all payments are nonrefundable.

1. Initial Franchise Fee. See Item 5 for information about the Initial Franchise Fee.

2. Leasehold Improvements. This estimate is for the costs associated with the construction of a Morelia Store with a footprint that is between 400 and 1,000 square feet in size. These estimates include the hard costs, such as materials, flooring, and millwork, as well as soft costs including contractor and architectural fees. We have based our estimates on the historical experience of our Affiliate-Owned Units. The difference in the low and the high end of the ranges provided in this category is due to the difference in size of the location. These estimates are applicable to a site which has been obtained in the “vanilla box” stage, which refers to the interior condition of either a new or existing building in which the improvements provided generally consist of heating/cooling with delivery systems, essential lighting, electrical switches and outlets, lavatories, a finished ceiling, walls that are prepped for painting and a concrete slab floor.

As in the development of any retail location, there are many variables that may impact your overall costs including landlord contribution, the size of your location, rates for construction, personnel, freight, vendor pricing and taxes, overall costs and efficiencies in your market. Third-party financing may be available for qualified candidates for some of the leasehold improvement costs, however with such financing comes associated costs and fees which will cause the cost to exceed what is indicated in this chart. These estimates assume that you will not use union labor to perform your construction. If you select a site that is larger than our prototype sizes listed above, your costs will be higher.

3. Furniture, Fixtures and Equipment. You must purchase and/or lease and install fixtures, tables and chairs, equipment and decor to outfit and equip the Morelia Store according to our specifications. Furniture and equipment needed includes, without limitation: tables and chairs, a merchandise display case, refrigerators, freezers, including display freezers, vertical and horizontal freezers, menu boards, artwork, and a point of sales/cash register system. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of the premises, suppliers and other related factors. The lower cost is indicative of the selection of standardized and value-priced equipment and certain pre-owned equipment that can be utilized with minimum or no special equipment or modifications made. The higher cost is for a selection of standard equipment of a more prestigious brand as well as some custom-made equipment. The costs listed here do not include any transportation or set up costs.

The estimated initial investment also includes costs related to the purchase of specified computer hardware, software and computer peripherals and related items. You must subscribe to any other program(s) we designate, for the computer management operations of the Franchised Business. You must also purchase routers with Broadband or DSL access to the Internet. You must also provide us with access to certain information.

4. Permits and Licenses. You are responsible for applying for, obtaining and maintaining all required permits and licenses necessary to operate your Franchised Business.

5. Signs. This estimate includes the cost of all signage used in the Morelia Store. The costs will vary based upon the size of your Morelia Store, the location and local wage rates. This estimate is for the cost to produce wall signage to be mounted to the outside of the building as well as all interior signage, such as logo graphics for the windows and a menu board. Additionally, these figures include various other elements of brand identification within the location, such as wall graphics.

6. Initial Inventory. You must purchase an initial supply of food and beverage inventory. These costs will vary depending on the size and location of the premises, suppliers, and other related factors.

7. Grand Opening Advertising. You must spend at least \$10,000 on a grand opening marketing program for the Franchised Business during the 30 days prior to opening and the first 60 days of operation. The grand opening program will use the marketing, advertising and public relations programs, media and materials we have developed or approved and is separate from your other marketing and advertising requirements. See Items 7 and 11 for more information about grand opening advertising.

8. Training Expenses. You are responsible for all transportation, meals, and other expenses associated with the initial training program for you and/or your managers, designees and employees. The cost will depend on the distance you must travel and the types of accommodation you choose.

9. Professional Fees. These fees are representative of the costs for engagement of professionals such as attorneys and accountants for the initial review and advisories consistent with the start-up of a Franchised Business. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your Franchised Business.

10. Utility Deposits. You will generally incur certain deposits with local utilities; for example, electric, telephone, gas, water and others, if you are a new customer of the local utilities. The deposits will vary depending upon the policy of the local utility and the size of the premises.

11. Rent Expense. You must provide a suitable site of approximately 400 to 1,000 square feet from which to operate your Morelia Store. Rents for leased premises will vary depending on size, condition and location of the Morelia Store and the then-current, local real estate rental market conditions. Lease rates in urban, downtown and more affluent areas may be higher. Estimates of rental costs may be obtained by contacting local commercial realtors. These amounts do not reflect carrying costs, common area maintenance or real estate taxes. These amounts include the first three months of rent plus a security deposit. The rent expense may vary

widely based on geographic location, size of the facility, local rental rates, Landlord's work, Tenant Improvement allowance and other factors.

It is extremely difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage, cost per square foot, and required maintenance costs. We assume the landlord will require the first month's rent and a security deposit equal to one month's rent. The amounts paid are typically not refundable, except for a security deposit which may be refunded. The amount of lease security deposits will vary over different geographic regions and will be impacted by other variables including the duration of any personal guaranty of lease obligations and the scope and nature of the build-out of the location. Estimates of rental costs may be obtained by contacting local commercial realtors. These amounts do not reflect carrying costs, common area maintenance or real estate taxes.

If you do not currently have acceptable space for your Morelia Store and do not rent the premises for the operation of the Morelia Store, you must purchase at least 400 to 1,000 square feet of suitable space to operate your Morelia Store. Real estate values vary dramatically from region to region. If you choose to buy, rather than rent, real estate on which a building suitable for our Morelia Store already is constructed or could be constructed, the real estate will have varied costs depending on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying, so we cannot estimate the cost of purchasing real estate.

12. Insurance. See Item 8 for a description of the current insurance requirements.

13. Additional Funds. These amounts are the minimum recommended levels to cover operating expenses, including employees' salaries, for the start-up phase of the Morelia franchise, which we calculate as three months. However, we cannot guarantee that this amount will be sufficient. This is an estimate which is intended to cover such items such as possible initial operating losses, additional insurance, rent and security deposits, miscellaneous additional pre-opening costs, payroll, utilities, additional legal and accounting fees and payments to any governmental agency that is necessary to open the Franchised Business. In addition, you should be prepared to have cash available to pay your personal living expenses during the first three to six months of operation. This is only an estimate, however, and the necessary amount of working capital will vary considerably with each franchisee.

14. Total. This total is an estimate of your initial investment and expenses you will incur during the three months of operations. This total amount is based upon the experience and knowledge of our management, and the information we have obtained relating to the construction of similar retail stores. Your costs may vary based on a number of factors including but not limited to the geographic area in which you open, local market conditions, the location selected, the time it takes to build sales of the establishment and your skills at operating a business. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area.

We do not offer direct or indirect financing to franchisees for any items at this time.

**MORELIA STORE
KIOSK UNIT**

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$49,500	Lump Sum	When you sign the Franchise Agreement	Us
Leasehold Improvements ²	\$16,000 - \$40,000	Lump sum	As incurred	Contractor, Designated sources and other Third Parties
Furniture, Fixtures and Equipment (including point of sale/cash register system) ³	\$15,000 - \$50,000	Lump Sum	As arranged	Suppliers
Permits and Licenses ⁴	\$1,000 - \$3,000	As Incurred	Before opening	Governmental Agencies
Signs/Menu Boards ⁵	\$3,000 to \$6,000	Lump Sum	Before opening	Suppliers
Initial Inventory ⁶	\$6,000 to \$10,000	Cash on Delivery; Invoice	As incurred	Us or Approved Supplier
Grand Opening Advertising ⁷	\$5,000 to \$6,000	As Arranged	Before opening	Suppliers, Media
Training Expenses ⁸	\$1,000 to \$3,000	Lump Sum	As incurred	Airlines, Hotels, etc.
Training Fee	\$3,000	Lump Sum	As incurred	Us

Professional Fees ⁹	\$1,500 to \$2,500	As Agreed	As agreed	Attorney, Accountant
UtilityDeposits ¹⁰	\$500 to \$1,000	As Arranged	As incurred	Utility Providers
Rent Expense ¹¹	\$3,000 to \$12,000	As Agreed	As incurred	Landlord
Warehousing/Storage Fees ¹²	\$100 to \$500	Lump sum	As incurred	Landlord
Insurance ¹³	\$1,000 to \$2,000	As Agreed	As incurred	Insurance Companies
Additional Funds for First 3 Months ¹⁴	\$10,000 to \$20,000	As Agreed	As agreed	Third Parties
Total¹⁶	\$115,600 to \$208,500			

ALL CHART FIGURES ARE ESTIMATES ONLY.

1. Initial Franchise Fee. See Item 5 for information about the Initial Franchise Fee.
2. Leasehold Improvements. You may need to make construction modifications to the location. The cost will vary depending on the location and costs of contractors and materials in your area. You will also need to connect to the venue's electrical and plumbing systems, and this cost may or may not be covered by the landlord, depending on your lease.
3. Furniture, Fixtures and Equipment. You must purchase and/or lease and install fixtures, equipment and décor to outfit and equip the kiosk according to our specifications. Furniture and equipment needed to operate a kiosk unit include, without limitation, either a prefabricated kiosk or a custom-built kiosk for the specific location, tables and chairs, a merchandise display case, refrigerators, freezers, including display freezers, vertical and horizontal freezers, and a point of sales/cash register system. The estimated initial investment includes costs related to the purchase of specified computer hardware, software and computer

peripherals and related items. You must subscribe to any other program(s) we designate, for the computer management operations of the Franchised Business. You must also purchase routers with Broadband or DSL access to the Internet.

4. Permits and Licenses. This estimates your expenses obtain permits and zoning for the Franchised Business. This may include building inspection fees, occupational license fees and will vary from one jurisdiction to the other.

5. Signs. The actual cost of your signage will depend upon the size and location of your Franchised Business, the particular requirements of the landlord, local and state ordinances and local zoning requirements.

6. Initial Inventory. You must purchase an initial supply of food and beverage inventory. These costs will vary depending on the size and location of the premises, suppliers and other related factors.

7. Grand Opening Advertising. You must spend at least \$10,000 on a grand opening marketing program for the Franchised Business during the 30 days prior to opening and first 60 days of operation. The grand opening program will use the marketing, advertising and public relations programs, media and materials we have developed or approved and is separate from your other marketing and advertising requirements.

8. Training Expenses. You are responsible for all transportation, meals, and other expenses associated with the initial training program for you and/or your managers, designees and employees. The cost will depend on the distance you must travel and the types of accommodation you choose.

9. Professional Fees. These fees are representative of the costs for engagement of professionals such as attorneys and accountants for the initial review and advisories consistent with the start-up of a Franchised Business. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your Franchised Business.

10. Utility Deposits. You may need to provide deposits for utilities including water, electricity and telephone. The amount of the deposits will vary depending upon the practice of the utility company. You will connect your water or electric service through the venue in which you are located, and you may be required to pay a deposit or pay the cost of connecting. Utility deposits are non-refundable under certain circumstances.

11. Rent Expense. You will probably find a suitable site in the common area within a mall-type setting, and the ideal size of your kiosk is 150 square feet, with external storage. Morelia franchises that are operated from a kiosk are typically located within shopping malls, theme parks, sports arenas and other similar venues. It is extremely difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon variance in square footage, cost per square foot and required maintenance costs. We assume the landlord will require the first month's rent and a security deposit equal to one month's rent. Estimates of rental costs may be obtained by contacting local commercial realtors. These amounts do not reflect carrying costs, common area maintenance or real estate taxes.

If you do not currently have acceptable space for your Morelia Store and do not rent the

premises for the operation of the Morelia Store, you must purchase at least 150 square feet of suitable space to operate your kiosk. Real estate values vary dramatically from region to region. If you choose to buy, rather than rent, real estate on which a building suitable for our Morelia Store already is constructed or could be constructed, the real estate will have varied costs depending on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying, so we cannot estimate the cost of purchasing real estate.

12. Warehousing/Storage. Since your kiosk will not have storage space for inventory and supplies, you will need to lease storage space nearby your location. We estimate that the monthly rental payments for warehouse/storage space will range from \$100 to \$500.

13. Insurance. See Item 8 for a description of the current insurance requirements.

14. Additional Funds. These amounts are the minimum recommended levels to cover operating expenses, including employees' salaries for the start-up phase of the Morelia franchise, which we calculate as three months. However, we cannot guarantee that this amount will be sufficient. This is an estimate which is intended to cover such items such as possible initial operating losses, additional insurance, rent and security deposits, miscellaneous additional pre-opening costs, payroll, utilities, additional legal and accounting fees and payments to any governmental agency that is necessary to open the Franchised Business. In addition, you should be prepared to have cash available to pay your personal living expenses during the first three to six months of operation. This is only an estimate, however, and the necessary amount of working capital will vary considerably with each franchisee.

15. Total. This total is an estimate of your initial investment and the expenses you will incur during the first three months of operations. In compiling these charts, we relied on our management's experience in operating similar businesses. The amounts shown are estimates only and may vary for many reasons including the size of your kiosk, the capabilities of your management team, where you locate your kiosk and your business experience and acumen. Your actual costs will depend on factors such as how well you follow the System; your management skill; experience; business acumen; local economic conditions; the local market for the services offered by the Franchised Business; prevailing wage rates; and the level of competition. In estimating what your local initial investment expenses will be, you should allow for inflation, discretionary expenditures, fluctuating interest rates and other financing costs, and local market conditions, all of which are highly variable factors that can result in sudden and unexpected increases in costs. You should review these numbers carefully with a business advisor such as a lawyer or accountant before making any decision to purchase a Morelia franchise.

We do not offer direct or indirect financing to franchisees for any items at this time.

MUDA

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to be Made

Multi-Unit Development Fee Upon Signing FA and MUDA for 2 Stores (Note 1)	\$89,500	Lump sum	Upon signing Franchise Agreement	Us
Total Remaining Initial Investment of Single Morelia Store	\$90,500 - \$310,000			
Total Estimated Initial Investment – First Store as Kiosk (Note 4)	\$180,000 - \$389,000			
Total Estimated Initial Investment – First Store as Retail (Note 4)	\$189,000- \$400,000			

1. Multi-Unit Development Fee: The Multi-Unit Development Fee of \$89,500 serves as a full credit against the Initial Franchise Fees for both locations.

2. Total Remaining Initial Investment for a Single Morelia Store: This is the initial investment estimate for a single Morelia Store (as detailed in the table above) minus the Initial Franchise Fee .

3. Total Estimated Initial Investment: These figures are estimates based upon our experience in opening and operating Affiliate-Owned Units in South Florida. The range accounts for one complete store setup plus the MUDA fee, with totals varying based on whether the first store is opened as a kiosk format (lower range) or a retail store format (higher range). We recommend you review these estimates carefully with your business advisor, accountant or attorney before making any decision to sign the Development Agreement.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Morelia Store in accordance with our System and specifications. This includes purchasing or leasing all products, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating a Morelia Store under our specifications, which may include purchasing these items from: (i) our designees; (ii) approved suppliers and/or (iii) us or our affiliates. You must not deviate from these methods, standards, and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential franchise operations manual (“**Operations Manual**”) states our standards, specifications and guidelines for all products and services we require you to obtain in establishing and operating your Franchised Business

You must purchase, install, maintain in sufficient supply and use only fixtures, furnishings, equipment, signs and supplies that conform to the standards and specifications described in the Operations Manual or otherwise in writing.

We may utilize proprietary food products and recipes and may continue to develop and own proprietary recipes. In order to protect our trade secrets and to monitor the manufacture, packaging, processing and sale of proprietary food products, we or our affiliates may: (i) manufacture, supply and sell proprietary food products to our franchisees; and/or (ii) disclose the formula for methods and preparation of the proprietary food products to a limited number of suppliers, including one or more of our affiliates, who we authorize to manufacture these proprietary food products to our precise specifications and sell these products to Morelia franchisees. You must purchase the proprietary products we or our affiliates develop for proprietary recipes or formulas and purchase them only from us or a third-party who we have licensed to prepare and sell the products. All non-proprietary ingredients, beverage products, cooking materials, containers, cartons, bags, menus, napkins, other paper and plastic products, utensils, uniforms and other supplies and materials used in your Franchised Business must strictly conform to our quality standards and reasonable specifications. Certain products such as plates, cups, boxes and containers bearing the trademarks must be purchased by you from our affiliates or certain suppliers approved by us who are authorized to manufacture these products bearing our trademarks.

You may be required to purchase certain products, equipment, and services directly from us or our affiliates. We may designate ourselves or an affiliate as a supplier, or the exclusive supplier, of any of the products or services used at your Franchised Business effective upon written notice to you. Currently, Lefab Manufacture is the only approved supplier of certain dessert and frozen novelty products, including paletas, as well as disposables, such as trays, delivery bags, and delivery sleeves, that you are required to purchase and use in of the operation of your Franchised Business.

In the fiscal year ending December 31, 2024, Lefab Manufacture, LLC (a wholly owned subsidiary of Lefab Gourmet Corp.) had a gross income of \$1,394,938.87, and the amount received as a result of licensee's purchases (product only) was \$1,273,733.12.

You must at all times maintain an inventory of approved food products, beverages, ingredients and other products in sufficient quantities and variety to realize the full potential of your Franchised Business. You must use the menus and menu boards that we designate and serve products in the manner we designate.

You must use the computer hardware and software, including the point-of-sale system that we periodically designate to operate your Franchised Business. You must obtain the computer hardware, software licenses, maintenance and support services and other related services that meet our specifications from the suppliers we specify. You may be required to use approved suppliers for certain technological business solutions at your expense that will support your business efficiencies, which may include phone systems, security systems, scheduling software, digital ordering, employee shift/task management software, inventory solutions and any other solutions we may require from time to time in the Operations Manual. Other approved suppliers provide reward programs to our franchisees.

We estimate that your required purchases and leases from us or our designated or approved sources, or those meeting our standards and specifications, will be approximately 80%

of your total cost to establish the Morelia franchise and approximately 50% of your total cost of operating the Morelia franchise.

You must obtain and maintain, at your own expense, insurance coverage that we require. We may regulate the types, amounts, terms and conditions of insurance coverage required for your Franchised Business, and standards for underwriters of policies providing required insurance coverage, including (a) our protection and rights under these policies as an additional insured; (b) required or permissible insurance contract provisions; (c) assignment of policy rights to us; (d) periodic verification of insurance coverage that must be furnished to us; (e) our right to obtain insurance coverage at your expense if you fail to obtain required coverage; and (f) similar matters relating to insured and uninsured claims.

All policies must be written by an insurance company satisfactory to us in accordance with the standards and specifications we prescribe in the Operations Manual or otherwise in writing. You are currently required to purchase and maintain throughout the term of the Franchise Agreement:

1. Comprehensive general liability insurance, including contractual liability, broad form property damage, premises liability, personal injury, advertising injury, product liability, automobile liability, employee liability, completed operations and independent contractors' coverage, and fire damage coverage in the amount of \$1,000,000 per occurrence, with \$2,000,000 aggregate coverage (or such higher amount as required by the lease for the premises);
2. Worker's compensation and employer's liability insurance, as well as such other insurance as may be required by applicable law;
3. Fire, vandalism and extended coverage insurance with primary and excess limits of at least the full replacement value of the Franchised Business and its furniture, fixtures and equipment;
4. Business interruption and extra expense insurance for a minimum of 12 months to cover net profits and continuing expenses, including royalty fees;
5. Employment practices liability insurance;
6. All other insurance required by the state or locality in which the Franchised Business is operated in such amounts as required by statute and
7. Any other insurance coverage as we may reasonably require.

The cost of this coverage will vary depending on the insurance carrier's charges, terms of payments, and your history. All insurance policies, except workers' compensation policies, must name us, as well as our officers and directors, as an additional insured party. You must provide us with a copy of each certificate of insurance at least 15 days before the opening of the Franchised Business and on each policy renewal date. You must also promptly provide us with written notice if there is any lapse in change of your coverage. No policy may be cancelled or materially altered without 30 days' advance written notice to us. We do not derive revenue as a result of your purchase of insurance. If you fail to purchase and maintain any required insurance coverage or furnish satisfactory evidence of coverage to us, in addition to our other remedies (including without limitation declaring you in default of the Franchise Agreement), we may but are

not obligated to purchase the insurance coverage for you. If we do purchase insurance on your behalf, you must pay us on our demand the amount of any premiums and reasonable expenses we incur in obtaining the insurance. The failure to maintain insurance coverage at any time is a material default under the Franchise Agreement.

In connection with any construction, leasehold improvements, renovation, refurbishment or remodeling of the premises, your general contractor must maintain comprehensive general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability and independent contractors coverage) of at least \$1,000,000, with us named as an additional insured, as well as worker's compensation and employer's liability insurance as required by state law.

We will provide you with a list of our designated and approved suppliers in our Operations Manual. If you want to use or sell a product or service that we have not yet evaluated, or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved (for products and services that require supplier approval), you must notify us and submit to us the information, specifications and samples we request. We will use commercially reasonable efforts to notify you within 30 days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. We reserve the right to charge a fee to evaluate the proposed product, service or supplier. We apply the following general criteria in approving a proposed supplier: (1) quality of services; (2) production and delivery capability; (3) proximity to Morelia Stores to ensure timely deliveries of the products or services; (4) the dependability of the supplier; and (5) other factors. The supplier may also be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers' facilities and products, and we reserve the right to revoke our approval of any supplier, product or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

We may negotiate group rates, including price terms, for purchases of equipment and supplies from third parties that are necessary for the operation of a Morelia Store. We do not currently confer material benefits on our franchisees based on use of designated or approved suppliers, but we reserve the right to do so.

There are currently no purchasing or distribution cooperatives. We may negotiate purchase agreements with suppliers (including price terms) for the benefit of the franchise system. We do not currently provide material benefits to you, for example, renewal or granting additional franchises, based on your purchase of a particular product or services or use of particular suppliers.

We reserve the right to negotiate and collect rebates, commissions, promotional allowances, volume discounts and other payments and/or benefits from all current and future suppliers of goods and services to our franchisees. We have the right to retain payments and benefits that we receive, including those based on purchases from franchisees. In the event we seek rebates, we may use some of the rebates for the benefit of our franchisees, but we are under no obligation to do so. Our rebate programs, when and if established, may vary depending on the supplier and the nature of the product or service.

Except as described above, neither we nor our affiliates have derived any revenue or other material consideration as a result of your required purchases or leases.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise 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 FRANCHISE AGREEMENT	MUDA	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 1.2, 6.2 and Schedule A	Sections 3 and 4	Items 7, 8 and 11
b. Pre-opening purchases/leases	Sections 6.2 and 6.17	Not Applicable	Items 5, 7, 8 and 11
c. Site development	Sections 6.2 and 6.3	Section 3	Items 5, 7, 8 and 11
d. Initial and ongoing training	Sections 6.5 and 6.6	Not Applicable	Item 11
e. Opening	Section 6.4	Section 3	Item 11
f. Fees	Sections 2.2.6 and 5	Section 2	Items 5 and 6
g. Compliance with standards and policies/operating manuals	Section 6	Section 7	Item 11
h. Trademarks & proprietary information	Sections 7,8, and 9	Not Applicable	Items 13 and 14
i. Restrictions on Products and Services Offered	Section 6	Not Applicable	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable	Not applicable
k. Territorial development and sales quota	Not Applicable	Section 1	Not applicable
l. Ongoing product/service purchases	Section 6.17	Not Applicable	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 6.9 and 6.13	Not Applicable	Item 11
n. Insurance	Section 12	Not Applicable	Items 7 and 8
o. Advertising	Sections 6.22 and 11	Not Applicable	Items 6, 8 and 11
p. Indemnification	Section 18	Section 14	Item 6
q. Owners participation/management/staffing	Section 6.7	Not Applicable	Items 11 and 15
r. Records and reports	Section 10	Not Applicable	Item 17
s. Inspections and audits	Section 10.4	Not Applicable	Items 6 and 11
t. Transfer	Section 13	Section 11	Items 6 and 17
u. Renewal	Section 2.2	Section 5	Items 6 and 17
v. Post-termination obligations	Section 15	Section 10	Item 17
w. Non-competition covenants	Section 16	Section 12	Item 17
x. Dispute resolution	Section 23	Section 19	Item 17

ITEM 10
FINANCING

We do not offer any direct or indirect financing. We do not guarantee your loan, lease or obligations.

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

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

Franchise Agreement

Pre-Opening Obligations: Before you open your Franchised Business, we will:

1. If a suitable location for your Morelia Store has not been approved at the time you sign the Franchise Agreement, we will designate a geographic area within which the Morelia Store is to be located. (Section 4.1(1) of the Franchise Agreement)

1. Provide to you our criteria for Morelia Store locations. We will review and advise you regarding potential locations that you submit to us. We will provide you our site selection guidelines to assist you in selecting a site that meets our criteria, but we do not generally own premises and lease them to our franchisees. You will have three months following the Effective Date of this Agreement to locate and receive our written approval of a site for the Franchised Business. (Section 4.1(2) of the Franchise Agreement)

3. Consent to proposed sites that meet our requirements (the “**Approved Location**”). We will approve or disapprove a site that you propose within 30 days after we receive from you a complete site report and any other materials that we may require for assessing potential. If you have not heard from us within such 30-day period, the proposed site is deemed disapproved. The general site selection and evaluation criteria which we consider in approving your site includes the condition of the premises, demographics and population density of the surrounding area, traffic patterns, proximity to other Morelia Stores, competition, occupancy costs, ease of access, tenant mix in a shopping center, mall or other retail environment, available parking and overall suitability. If we are unable to agree upon a mutually agreeable site, we may terminate the Franchise Agreement. If this Agreement is terminated because we cannot agree on a proposed site, we shall retain the entire Initial Franchise Fee. You must open your Franchised Business within nine months from the Effective Date of the Franchise Agreement. If you fail to do so, we may terminate the Franchise Agreement. (Sections 4.1(3) of the Franchise Agreement)

4. Review and approve or disapprove the lease for your site. (Section 4.1(4) of the Franchise Agreement). You must obtain our approval of the lease or sublease (or any modification or amendment) for the location before you sign it, or any renewal of it. A condition to our approval of the lease (or sublease) is the execution by you, the landlord and us of the Addendum to Lease Agreement/Conditional Assignment of Lease. We also require you to sign and deliver to us a Conditional Assignment of Telephone Numbers and Listings in the form attached to the Franchise Agreement.

5. Furnish you with mandatory and suggested specifications for Morelia Stores, including kiosk locations, requirements for dimensions, design, color scheme, image, layout, décor, fixtures, equipment, signs and furnishings. You are solely responsible for developing and constructing the site for your Franchised Business, for all expenses associated with it, and for compliance with the requirements of any applicable federal, state or local law. (Section 4.1(5) of the Franchise Agreement)

6. Provide you with written specifications for the operation and management of the Franchised Business, as well as our lists of approved suppliers. (Section 4.1(6) of the Franchise Agreement)

7. Provide you with our initial training program, which is described below. We will not provide general business or operations training to your employees or independent contractors; however, we may provide limited training on the System and brand standards to your key employees. You will be responsible for hiring, training, directing, scheduling and supervising your employees and independent contractors in the day-to-day operations of the Franchised Business. (Section 4.1(7) of the Franchise Agreement)

8. Loan to you a single set of our Operations Manuals (the “**Operations Manual**”), in text or electronic form, which will include specifications for inventory, management, and operation. The Operations Manual has a total of 513 pages, is confidential and remains our property. (Section 4.1(8) of the Franchise Agreement). A copy of the Table of Contents is attached as **Exhibit “D”** to this Disclosure Document.

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing Morelia Stores.

Multi-Unit Development Agreement

1. We will grant to you rights to an Exclusive Area within which you will establish and operate an agreed-upon number of Morelia Stores under separate franchise agreements. (Multi-Unit Development Agreement, Section 1.1)

2. We will review the information regarding potential sites that you provide to us to determine whether the sites meet our standards and criteria, and if the site meets our criteria, accept the site. (Multi-Unit Development Agreement, Section 8.1)

3. We will assist you in determining the layout and configuration of each Morelia Store once the location has been approved. After you and we have determined the layout and configuration of each Store, you must arrange for site plan and build-out plans and specifications to be prepared and submitted to us for our review. (Multi-Unit Development Agreement, Section 8.2)

4. We will review your site plan and final build-out plans and specifications for conformity to our standards and specifications. (Multi-Unit Development Agreement, Section 8.3)

5. We will provide other resources and assistance as may be developed and offered to our Multi-Unit Developers. (Multi-Unit Development Agreement, Section 8.4)

Continuing Obligations: During the operation of the Franchised Business, we will:

1. Provide the general advisory assistance and field support deemed by us, in our discretion, to be helpful to you in the ongoing operation, advertising and promotion of the Franchised Business. (Section 4.2(1) of the Franchise Agreement)

2. Continue our efforts to establish and maintain high standards of quality, customer satisfaction and service. (Section 4.2(2) of the Franchise Agreement)

3. Provide you with updates, revisions and amendments to our Operations Manual. We may periodically modify the Operations Manual, but these modifications will not alter your fundamental status and rights under the Franchise Agreement. (Section 4.2(3) of the Franchise Agreement)

4. On a periodic basis, conduct (as we deem advisable) inspections of the Franchised Business and its operations and evaluations of the methods and the staff. (Section 4.2(4) of the Franchise Agreement)

5. Furnish guidance with respect to: (a) specifications, standards and operating procedures, including providing suggested retail prices; (b) purchasing approved equipment, fixtures, signs, inventory, and operating materials and supplies; and (c) development and implementation of local advertising and promotional programs. Such guidance will, in our discretion, be furnished in the form of the Operations Manual, bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices. (Section 4.2(5) of the Franchise Agreement)

6. Provide additional training to you for newly hired personnel, refresher training courses and additional training or assistance that, in our sole discretion, you need or request. You may be required to pay additional fees for this training or assistance. (Section 4.2(6) of the Franchise Agreement)

7. If we, in our sole discretion, deem it necessary, we may periodically furnish you the services of a representative, whether in person or telephonically or via consultations held at our office, to provide additional operating assistance. (Section 4.2(7) of the Franchise Agreement)

8. Administer the MF Account in the manner described in the Franchise Agreement. (Section 4.2(8) of the Franchise Agreement)

Although we may voluntarily provide additional services, no additional duties may be implied because we provide those additional services (if any). We have no implied duties or other duties not expressly stated in the Franchise Agreement. We have the right to delegate to a third party the performance of any pre-opening or continuing obligation for any franchisee.

Advertising and Promotion

Approval of Advertising

Your advertising, promotion, and marketing must be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing. All promotional and marketing materials that you propose to use must conform to our standards and requirements as specified in our Operations Manual. You must provide us with all samples of promotional and marketing materials in whatever form you desire to use for our approval at least 15 days before your proposed use of the materials. We will make reasonable efforts to notify you of our approval or disapproval of the materials within 15 days of receiving them. If you do not receive our written approval within this time period, we will be deemed to have disapproved the materials. ***You may not use any advertising plans or materials until we have approved them.*** However, our approval does not constitute a determination that the advertising, promotions and marketing that you conduct comply with applicable laws and regulations or provides assurance that such approved materials will be successful. You must consult your own advisors at your own expense. Any advertising or promotional materials you provide to us for our review will become our property, and there will be no restriction on our use or distribution of these materials. The approval process described in this paragraph also applies to proposed advertising to be used by an advertising cooperative.

Even if we have approved specified materials, we may later withdraw our approval if we reasonably believe it necessary to make the advertising conform to changes in our System or to correct unacceptable features of the advertising, including but not limited to any misrepresentation in the advertising material.

Grand Opening Advertising

You must spend at least \$10,000 on a grand opening marketing program for your Franchised Business during the 30 days prior to opening and first 60 days of operations. Your Local Advertising expenditures made during your first month of operations can count toward this Grand Opening Advertising requirement. The grand opening program must use marketing, advertising and public relations programs, media and materials that we develop or approve, and is in addition to your other marketing and advertising requirements under the Franchise Agreement. We may, at our option, require you to submit expenditure reports to us detailing your grand opening marketing expenditures.

Local Advertising and Promotion

We require that you conduct advertising, promotions and public relations in the local market surrounding the Franchised Business each month, and that you spend at least 1% of your Net Sales each month to advertise and promote locally ("**Local Advertising Requirement**"). The charges for local ads and promotions will be paid directly to your local advertising suppliers.

We will provide you with general marketing guidelines for your local advertising, and we will review and approve your advertisements. Our local advertising requirement is what we consider to be minimally acceptable levels of expenditures for this type of promotion, and we strongly encourage you to consider spending more than our required amount during the first year of your Franchised Business. We must approve all advertising and promotional plans and materials we do not prepare before you use them. You must also prominently display franchise brochures that we provide, at our cost, in your location to solicit prospective franchisees.

National Advertising Program

During the term of the Franchise Agreement, we impose an advertising and marketing obligation (the "**Marketing Fee**") to advertise Morelia franchises and Affiliate-Owned Units in an amount equal to 3% of your Net Sales each month, and we have established a System-wide brand fund (the "**MF Account**") for the benefit of the System and the Morelia brand generally. We will administer the MF Account, but we reserve the right to establish an affiliate entity to administer the MF Account in the future. As of the date of this Disclosure Document, we have not created a separate account for Marketing Fee contributions, but we will track all MF Account contributions and expenditures and account for them separately from our other funds, and we will not use them to defray any of our general operating expenses, except for reasonable administrative costs and overhead that we may incur in the administration of the advertising programs for Morelia franchises and Affiliate-Owned Units. Any Company-Owned or Affiliate-Owned Morelia Store will contribute to the MF Account on the same basis that you are required to pay under your Franchise Agreement.

We use your contributions to the MF Account to pay for the costs of creating various advertising, marketing, and promotional materials that we deem beneficial to the System. We and/or a regional or national advertising agency may be used to produce all marketing and advertising. The MF Account may be used to satisfy the costs of maintaining, administering,

directing, creating, and producing advertising. This includes the cost of preparing and conducting television, internet, radio, magazine, and newspaper advertising campaigns; direct mail; public relations activities; employing advertising agencies; and providing other advertising materials to Morelia franchises and Affiliate-Owned Units.

We do not have to spend any MF Account contributions in your Territory. We are not obligated to contribute additional funds to the MF Account other than contributions from Affiliate and Company-Owned Units. We do not anticipate that any part of MF Account contributions will be used for advertising which is principally a solicitation for the sale of additional franchises, but we reserve the right to include a notation in any advertisement indicating "Franchises Available". All expenditures are at our sole discretion. We may spend in any calendar year more or less than the total Marketing Fee contributions to the MF Account in that year. We may loan to the MF Account or borrow from other lenders for the MF Account to cover deficits of the MF Account or cause the MF Account to invest any surplus for future use by the MF Account. We will carry any monies not spent by the Marketing Fund in any particular year to fund production expenses in the next year.

We will prepare an annual statement of the MF Fund's operations. We are not required to have this statement audited. Upon your request, we will provide you, within 120 days of our fiscal year end, a written statement for such fiscal period setting forth in brief detail the total amounts collected, and disbursements made by us in connection with the MF Account. Although the MF Account is intended to be perpetual, we may terminate it but will not do so, however, until all monies have been spent for advertising or promotional purposes or returned to contributors on a basis determined by us in our sole discretion. We expect to advertise Morelia franchises and Affiliate-Owned Units and the services they offer in various media, including television, internet, radio, magazine and newspaper advertising campaigns, and direct mail. We may use outside advertising agencies. Advertising may be conducted on a national, regional, and local basis.

The MF Account is not a trust fund. We will not have any fiduciary duty to any franchisee in connection with the collections or expenditures of the MF Account monies or any other aspect of the its monies. As stated above, we are under no obligation to ensure that expenditures of the Marketing Fees are or will be proportionate or equivalent to contributions of Marketing Fees by Morelia Stores operating in any geographic area or that any Morelia Store will benefit directly or in proportion to the amount of Marketing Fees it has paid.

During our last fiscal year, in 2024, a total of \$in Marketing Fee contributions to the MF Account was collected and were allocated accordingly:

- a. Social Media: 50%
- b. Email / SMS Marketing: 15%
- c. Search Engine Optimization: 8%
- d. Print Advertising: 1%
- e. Website Development: 1%
- f. Marketing Analytics Software: 5%
- g. Branding and Graphic Design: 12%
- h. Public Relations: 8%

Local Advertising Cooperative

We are not presently involved in any advertising cooperatives; however, we reserve the right to create advertising cooperatives in the future. Because there are no advertising cooperatives, franchisees are not presently required to contribute any additional monies to a Local Cooperative Advertising program. We have the right to: (a) allocate any portion of the MF Account to the Cooperative Advertising program and (b) collect and designate all or a portion of the Local Advertising for a Cooperative Advertising program. We have the right to determine the composition of all geographic territories and market areas for the implementation of Cooperative Advertising and to require that you participate in the Cooperative Advertising program when established. If three or more Morelia franchises are operating within a market designated by us, we reserve the right to establish and require your participation in a local or regional advertising cooperative within a geographic area, region, or market designated by us. If a local or regional advertising cooperative is established within a market that includes your Store franchise, you will be required to participate in the cooperative and make on-going payments to the cooperative in such amounts and subject to such caps as established by the cooperative members. We anticipate that Morelia franchisee will have one vote for each Morelia franchise location located within the cooperative market and that cooperative decisions shall be made based on approval of a simple majority vote based on a quorum of not less than 25% of the designated cooperative members. Contributions to a local or regional cooperative that we designate shall count toward the satisfaction of your local marketing obligations and shall not exceed 1% of your month Net Sales. We also have the power to require a Cooperative Advertising program to be formed, changed, dissolved, or merged. If a Cooperative Advertising program is implemented on behalf of a region, we reserve the right to enable the cooperative to self-administer the Cooperative Advertising program, and you will participate in the cooperative according to the cooperative's then-current rules and procedures and to abide by the cooperative's then-current decisions.

Internet Advertising Prohibition

You are prohibited from establishing a website that is separate and independent from our website. You can, however, establish a presence on the following Internet social networking sites: Facebook, Twitter, and Instagram, and other social media websites. Content published on any of these social networking sites must be pre-approved by us in writing and must also meet our then-current social media policy. Upon the establishment or presence on any of these social networking sites, you must give us access as a co-administrator on any of these accounts.

We have an Internet website at the uniform resource locator www.paletasmorelia.com that provides information about the System and about Morelia franchises. We may provide you with a page on our home page, where we will have contact information and pricing for your location. All information posted on the Morelia website or any linked web pages 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 also retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. We also retain the sole right to approve any linking to, or other use of, the Morelia website. You are not permitted to use a domain name containing "Morelia" in the URL.

Without our prior written consent, or except as otherwise expressly stated in this

Agreement, you will not use any part or aspect of the Morelia name or anything similar thereto as any part of a corporate name, business name, trade name or trading style, domain name, URL (uniform resource locator) or email address of any person in which you have a direct or indirect interest. You shall not register, adopt or use any domain name that is comprised of, contains, or is confusing with, the Marks including, without limitation, the Morelia trademark or logo.

Advertising Advisory Council

We do not currently have a franchisee advertising council. At our discretion, we may, in the future, form an Advertising Advisory Council (the “**Council**”) once there are a sufficient number of franchisees in the System. The Council members will be Morelia franchisees. The Council shall serve in an advisory capacity only, advising us on operations, marketing and other subjects. We have the authority to dissolve, change and reform the Council in our discretion.

Initial Training Program

You must staff and operate the Franchised Business with properly trained personnel. You and at least two managerial employees, including your Production Manager (if applicable) and Retail Store Manager, must complete to our satisfaction an initial training program at least one month before you commence operations. We provide initial training, at a location that we designate, for up to four trainees, which includes you or your operating principal. The fee for up to four trainees to attend for our Initial Training program is \$3,000. If you send more than four people to initial training, with our prior consent, we will charge you an additional fee of \$500 per day for each additional person. You are responsible for the travel and living expenses of your attendees, and/or our trainers, to the extent they are required to travel to the training location.

If we, in our sole discretion, determine that you or a manager you appoint have failed to satisfactorily complete the initial training program, we may provide, and you or the manager must complete, supplemental training. If you are required to repeat the initial training program, or if additional persons attend the initial training program, you will be required to pay our then-current fee, which as of the date of this disclosure document is \$500 per person. You also must pay for all travel and living expenses incurred by us and you in connection with the additional training program. We will also furnish the initial training program to subsequently appointed managers at the then current fee for such training and at such reasonable times as we designate.

We may also require you to attend additional educational and training programs related to customer satisfaction, food production, food safety, shift management and preparation of new products. You will not be required to pay a fee in connection with such additional training, but you must pay all costs incurred in connection with your attendance.

The first phase of our Initial Training Program, which consists of approximately eight to ten hours of training, is “virtual” and will be held remotely. The second phase of our Initial Training Program is in person training at our Morelia Store location in Coral Gables, Florida and consists of approximately 40 hours of combined classroom and hands on instruction. On-site training will include production, day-to-day operations, marketing and staffing. We expect to conduct the Initial Training program for you and your attendees after you sign the Franchise Agreement and while your Morelia Store is being developed.

In addition to the pre-opening training outlined above, the second phase includes training that will be conducted at your location prior to its grand opening. These additional days of training will be conducted once your Certificate of Occupancy has been awarded, and you are ready to

start training your staff and conducting your soft opening. This additional training will include the following topics: grand opening, daily operations, local marketing, ongoing inventory, materials and resources needed.

The Operations Manual will be used as the principal instructional material. The training program will include the topics identified on the chart below and will be conducted under the direction of Gilbert Arismendi, Bassam Ismael Askul, and/or Leonardo Romero, or a designated specialist familiar with the Morelia System, who will also have a comparable level of training. Their relevant experience is outlined in Item 2 of this Disclosure Document. We reserve the right to periodically name multiple trainers and/or to draw upon the experience of the staff members from our Affiliate-Owned Units to assist in providing training. The level of experience of our trainers will, at a minimum, include each trainer’s satisfactory completion of our initial training program. There are no limits on our right to assign a substitute to provide training.

We will, in our discretion, make available other ongoing continuing education and training programs, seminars or meetings (on an optional or mandatory basis) that we deem advisable. We may also host one or more conventions per calendar year, as well as conference telephone calls, which may include education and training. You and your designated management personnel must attend and successfully complete all ongoing continuing education and training programs and must attend all meetings, seminars, conventions and conference telephone calls as we require. We may charge a reasonable fee for instruction and training materials. You are responsible for all other expenses, including travel, lodging and meals, incurred by you and your managers.

INITIAL TRAINING

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Morelia’s Gourmet Paletas History, Mission, Vision, Culture	1		Remote / Virtually
Overview of the Relationship with the Franchisor, Including Visits	1		Remote / Virtually
Finding Your Location and Next Steps	2		Remote / Virtually
Navigating the Franchise Portal	3		Remote / Virtually
Overview of the Pre-Opening Process	2		Coral Gables, Florida
Grand Opening Process	1		Coral Gables, Florida
Human Resources Best Practices	1		Coral Gables, Florida
Marketing and Advertising	2		Coral Gables, Florida

Daily In-Store Procedures— Opening, Closing, Shift Change	1	2	Coral Gables, Florida or your Franchised Business
Customer Service	2	2	Coral Gables, Florida or your Franchised Business
The Morelia Gourmet Paletas Product and Store Experience	2	2	Coral Gables, Florida or your Franchised Business
Delivery Procedures	2	2	Coral Gables, Florida or your Franchised Business
Using the POS	2	2	Coral Gables, Florida or your Franchised Business
Required Cleaning and Sanitation	1	1	Coral Gables, Florida or your Franchised Business
Safety and Security	1		Coral Gables, Florida or your Franchised Business
Management Tools and Managing a Successful Team	2	2	Coral Gables, Florida or your Franchised Business
Inventory Management	2	2	Coral Gables, Florida or your Franchised Business
Operational, Financial, Franchise Reporting	1	1	Coral Gables, Florida or your Franchised Business
TOTALS	29	16	45 hours
NEW STORE OPENING			
Pre-Opening Support: When the Morelia Store is ready to open, a member of our corporate office will assist with the opening of the store		40	Your Franchised Business

TOTALS	29	56	85 hours
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The time periods allocated to the subjects listed above are approximations, and the time that is actually spent by you and your personnel may vary based on the experience and performance of those people being trained. Additional training may also be provided as needed. The instructional materials used in the initial training program will consist primarily of our Operations Manual, marketing and promotional materials, videos and other handouts.

Computer Systems

As described in Items 7 and 14, we require that you purchase certain PC-based computer/point of sale systems. We estimate that the total cost of your computer, software and point of sales system set forth below will range between \$2,000 to \$8,000. We may, in our sole discretion, modify or change the required computer system, and such changes will be made via the Operations Manual. You must use your Computer System to (i) update inventory of products, (ii) enter and manage your customer contact information, (iii) generate sales reports and analysis relating to your Franchised Business, and (iv) provide other services relating to the operation of your Franchised Business.

Components of POS System

We require that franchisees use a point-of-sale system (the “**POS System**”) to track the sales of your Franchised Business. You will use this POS system to complete point of sale transactions and track your weekly sales. You must, at your sole cost, purchase, use, maintain and update the POS System and other computer systems that we specify for use in the operation of the Franchised Business and must follow all policies and procedures that we specify in the Operations Manual or otherwise in writing. The POS System is comprised of a minimum of an iPad, a customer service terminal, receipt printer, and credit card reader. Franchisees must also have a general-purpose computer with high-speed Internet access, an all-in-one color printer, scanner, fax machine and copier. Most of the POS System hardware components include a manufacturer’s warranty. In the future, we may require additional hardware and software, including security systems, visual training stations, a visual digital merchandising monitor, tablets, and other hand-held devices. There are no restrictions on our ability to modify the cash register and computer requirements. There is no contractual limit on the frequency or cost of required upgrades or updates to the computer or POS System.

The POS System must run the software specified in our Operations Manual (the “**POS Software**”). Any changes to our POS System requirements will be made via the Operations Manual. The costs associated with installing and running POS Software are also specified in our Manual and may be modified from time to time. Any support provided in connection with such POS Software, whether by the manufacturer or otherwise, shall also be set forth in our Operations Manual.

Franchisees are responsible for hardware repairs or replacement for systems that are no longer covered under warranty. There are no contractual limitations on the frequency or cost of this obligation. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your POS System is \$600 to \$1,200. The total annual cost of maintaining, updating, upgrading, or support contracts cannot be estimated due to the continually changing nature of today’s technology. The monthly Technology Fee is approximately \$400 per month.

You must allow us to access your computer system on a daily or other basis at the times and manner determined by us our designated affiliate, with or without notice and to retrieve transaction information (including sales, sales mix, usage and other operations data) that we deem appropriate. We will have independent access to information that will be generated and stored on your POS System, and which must be kept up to date, and on our own computers concerning your Franchised Business, including, customer, sales, inventory and scheduling information. During the operation of the Franchised Business, you will collect and maintain information about customers, including names, contact information, purchase histories, preferences, and other data (collectively, the "**Customer Lists**"). You acknowledge and agree that all Customer Lists are the sole and exclusive property of Franchisor. Any Customer Lists compiled or amassed through the POS Software or otherwise, shall be our proprietary property. You further agree that you will not sell or use any such Customer Lists for any purpose other than in connection with the operation of your Franchised Business.

Typical Length of Time Before You Open Your Franchised Business

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the Franchised Business is approximately 120 days to 180 days. Some factors which may affect this timing include your ability to locate a site, the time to acquire the site through lease or purchase negotiations, your ability to secure any necessary financing, your ability to comply with local zoning, other state and local requirements and any necessary licenses and permits, the timing of the delivery and installation of equipment, supplies and leasehold improvements, and the time to convert, renovate or build out the site with possible construction delays, as well as your ability to attend the initial training program. Your failure to locate a suitable site for the Franchised Business in accordance with the terms of the Franchise Agreement will be deemed a material event of default under this Agreement. The Franchised Business must be open for business within nine months after the Effective Date of this Agreement (the "**Commencement Deadline**"), unless we grant you an extension, which we may choose to grant in our sole discretion. Failure to commence operations by the Commencement Deadline may result, at our option, in the termination of your Franchise Agreement, and we can retain the entire Initial Franchise Fee.

Confidential Operations Manual Updates

We have the right to add to and otherwise modify the confidential Operations Manual to reflect changes in products, services, specifications, standards and operating procedures, including sales and marketing techniques relating to the Franchised Business; however, no such addition or modification may alter your fundamental status and rights under the Franchise Agreement. You must keep your copy of the confidential Operations Manual current and in a secure location, and the master copy of the confidential Operations Manual maintained by us at our principal office will be controlling in the event of a dispute related to the contents of the confidential Operations Manual.

ITEM 12 TERRITORY

Franchise Agreement

You may operate your Morelia Store only at the Approved Location. The Approved Location for your Morelia Store will be listed in the Franchise Agreement. If you have not identified the location for your Morelia Store when you sign the Franchise Agreement, you and we will agree

on the Approved Location in writing and amend the Franchise Agreement after you select, and we approved the location. You are not guaranteed any specific Approved Location. You may not conduct your Franchised Business from any other location.

We will grant you a protected territory (the “**Protected Territory**”) based on the geographic area and populations properties within that area and other relevant demographic characteristics and will typically be a one-mile radius around your Franchised Business. We reserve the right to grant each franchisee a territory on a case-by-case basis in order to account for the unique features, including population density and traffic, in the area. We will not grant this right if your Morelia Store is located in a metropolitan area (areas in which the population during any 24-hour period exceeds 50,000 people per square mile). In addition, we may not grant you this right if your Morelia Store is located in a non-traditional location such as an airport, hotel, convention center, sports arena or stadium, college campus, amusement park, within the premises of another business or a similar venue. The size of the Protected Territory will vary from franchise to franchise. The Protected Territory will be delineated by streets, highways, zip codes or other boundaries and will be based upon a variety of measures, including geographic barriers, radius of travel time and distance, and population counts. The address of your Franchised Business and your Protected Territory will be described in Schedule “A” to the Franchise Agreement, or its boundaries will be drawn on a map attached to the Franchise Agreement before you sign it, and you will have three months to secure a site within this prescribed area.

The Protected Territory does not depend on your achievement of a minimum sales volume or other contingency. You do not receive the right to acquire additional franchises unless you purchase the right in your Multi-Unit Development Agreement. Except as noted above, we do not grant you any options or rights of first refusal under the Franchise Agreement. You are not prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Protected Territory. You may not sell products through other channels of distribution such as wholesale, Internet or mail order sales. If you renew your franchise, your Protected Territory may be modified depending on the then-current demographics of the Protected Territory, and on our then-current standards for territories. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You must follow our off-site policies and procedures in our Operations Manual, which may allow you or third parties to provide catering and delivery services in the territories of other Morelia Gourmet Paletas businesses without compensating the operator of those restaurants. These policies may require you to provide catering and delivery services and/or utilize third-party delivery services. You may be required to use the third-party delivery service(s) with which we have a national contract, and you may not contract with any other delivery platform without our written approval. We reserve the right to establish a non-exclusive delivery system such as call-ahead, internet-order, mobile application or similar program in which case you agree to participate and pay all fees and charges we, our affiliate or designated supplier, incurs for your participation. These policies may allow other Morelia Gourmet Paletas businesses or third parties to provide catering and delivery services in your Protected Territory without compensating you. We may impose restrictions in the future that prevent you from providing catering and delivery services outside of your Protected Territory.

We retain all territory rights (for ourselves and our affiliates) not expressly granted to you. We may use the Marks or the System to sell any products or services similar to those which you will sell through any alternate channels of distribution or non-traditional locations within or outside of the Protected Territory. We and our affiliates have the right to operate, and to license others to

operate, Morelia Stores at any location outside the Protected Territory, even if doing so will or might affect your operation of your Franchised Business. You are not granted any rights to use the Internet as a channel of distribution and may not independently market on the Internet or conduct e-commerce unless we have expressly allowed you to do so in writing.

We may use trademarks other than the Marks to sell any products or services similar to those which you will sell within or outside of the Protected Territory. Although we reserve the rights described, neither we nor any affiliate operates, franchises or have plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those offered by you or our other franchises. We may purchase, be purchased by merge or otherwise acquire competitive businesses within and outside the Protected Territory. If such a situation occurs, the newly acquired businesses may not operate under the Marks in the Protected Territory but may operate under the System. We may implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We have the right to issue mandatory policies to coordinate such multi-area marketing programs. Although we reserve the rights described, neither we nor any affiliate, operates, franchises or has plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those offered by you or our other franchises.

We are not required to pay you if we exercise any of our rights within your Protected Territory. The continuation of the Protected Territory is not dependent upon your achievement of a certain sales volume, market penetration or other contingency (other than complying with the terms of the Franchise Agreement). We will not be required to pay any compensation for soliciting or accepting orders inside your Protected Territory.

You may not relocate your Morelia Store without our prior written approval. We may approve a request to relocate your Morelia Store in accordance with the provisions of the Franchise Agreement that provide for the relocation of your Morelia Store, and our then-current site selection policies and procedures.

You do not receive the right to acquire additional Morelia Store franchises unless you purchase the right in your MUDA. You do not receive the right to acquire additional Morelia Store franchises within the Protected Territory. You are not given the right of first refusal on the sale of existing Morelia Store franchises. If you wish to purchase an additional franchise, you must apply to us, and we may, at our discretion, offer an additional Morelia Store franchise to you. We consider a variety of factors when determining whether to grant additional franchises. Among the factors we consider, in addition to the then-current requirements for new Morelia franchisees, are whether or not the franchisee is in compliance with the requirements under their current Franchise Agreement.

Multi-Unit Development Agreement

Under the Multi-Unit Development Agreement, we grant you the right to develop and operate the number of Morelia Stores in the Development Area that is specified in the Minimum Performance Schedule, which is an exhibit to the Multi-Unit Development Agreement. The Development Area is typically described in terms of municipal or county boundaries but may be defined as a specified trade area in a municipality. The actual size of the Development Area will vary depending upon the availability of contiguous markets, our long-range development plans, your financial and operational resources, population and market conditions. Our designation of a particular Development Area is not an assurance or warranty that there are a sufficient number of suitable sites for Morelia Stores in the Development Area for you to meet your Minimum

Performance Schedule. The responsibility to locate and prepare a sufficient number of suitable sites is solely yours, and we have no obligation to approve sites which do not meet our criteria for you to meet the Minimum Performance Schedule.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Except as described below, during the term of the Multi-Unit Development Agreement, we and our affiliates will not operate or grant a franchise for the operation of Morelia Stores to be located within the Development Area. However, we have the right to terminate your territorial rights if you are not in full compliance with all of the terms and conditions of the Multi-Unit Development Agreement and all of the Franchise Agreements signed under it. Your territorial rights may or may not, in our discretion, include the right to develop Morelia Stores at any Non-Traditional Site that is located within your Development Area.

Except as expressly limited by the Multi-Unit Development Agreement, we and our affiliates retain all rights with respect to Morelia Stores, the Marks, and any products and services anywhere in the world including the right: (a) to produce, offer and sell and to grant others the right to produce, offer and sell any of the products or services offered at Morelia Stores and any other goods or services displaying the Marks or other trade and service marks through alternative distribution channels, as described above, both within and outside your Development Area, and under any terms and conditions we deem appropriate; (b) to operate and to grant others the right to operate Morelia Stores located outside the Development Area under any terms and conditions we deem appropriate and regardless of proximity to your Morelia Store; (c) to operate and to grant others the right to operate Morelia Stores at non-traditional locations within and outside the Development Area under any terms and conditions we deem appropriate. If a non-traditional location becomes available within the Development Area during the term of the Multi-Unit Development Agreement, we may, in our sole discretion, offer you the opportunity to develop a Morelia Store there. You will have 30 days after we notify you that the site is available to accept this right of first refusal; and (d) the right to acquire and operate a business operating one or more competing businesses located or operating in your Development Area.

To maintain your rights under the Multi-Unit Development Agreement, you must have open and in operation the cumulative number of Morelia Stores stated on the Minimum Performance Schedule by the dates agreed upon in the Minimum Performance Schedule. Failure to do so will be grounds for either a loss of your territorial rights or a termination of the Multi-Unit Development Agreement.



The Development Area may not be altered unless we and you mutually agree to do so. It will not be affected by your sales volume. You are not granted any other option, right of first refusal or similar right to acquire additional Morelia Stores in your Development Area under the Multi-Unit Development Agreement, except as described above.

ITEM 13 **TRADEMARKS**

Pursuant to the terms of the Franchise Agreement, we grant you the right and license to operate a Franchised Business pursuant to the System and using the Marks and related names and marks that may be developed in the future and used as part of the System. We grant you the right to operate a Morelia franchise under the names “**Morelia Gourmet Paletas**” or “**Morelia**

Gourmet Handcrafted Pops". You may also use our other current or future trademarks to operate your Morelia franchise. By "trademark," we mean trade names, trademarks, service marks and logos used to identify your Franchised Business.

As of the date of issuance of this Disclosure Document, Lefab Gourmet, Corp. owns and has registered the following marks on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

MARK	REG. NUMBER	REGISTRATION DATE	INTERNATIONAL CLASS OF GOODS
	5457372	May 1, 2018	30
	7492168	September 3, 2024	35, 43

We have renewed and intend to continue to renew the registrations and file all appropriate affidavits for the marks at the times required by law. All required affidavits will be filed for the registered trademarks.

Lefab Corp. has entered a license agreement granting us an irrevocable, worldwide right to use and sublicense all of the Marks in which Lefab Corp. has any rights. This license agreement does not limit our use of the Marks in any way that could materially affect your use of the Marks.

We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks. You must follow our rules when using the Marks. You must use all names and marks in full compliance with provisions of the Franchise Agreement and in accordance with the rules we periodically prescribe. You may not use any name or mark as a part of any corporate name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed by us to you). In addition, you may not use any name or mark for the sale of any unauthorized product or services, or in any other manner not explicitly authorized in writing by us. You may not use the Marks in any advertising for the transfer, sale or other disposition of the Franchised Business, or have any interest in the franchise. All rights and goodwill from the use of the Marks accrue to us.

There is no currently effective material determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition or cancellation proceeding or any pending material litigation involving the principal trademarks. There are no agreements currently in effect which significantly limit our rights to use or license the use of the trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the Franchised Business.

If there is any infringement of, or challenge to, your use of any name, mark or symbol, you must immediately notify us, and we will have the sole discretion to take any action as we deem appropriate, in order to fulfill our obligation to preserve and protect the ownership, identity and validity of the Marks. We are not obligated to protect your rights in the Marks, nor are we obligated

to indemnify you for losses associated with any infringement of, or challenge to, our rights in the Marks. We are not obligated to participate in your defense and/or indemnify you for damages or expenses if you are party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorably to you.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks, you must pay for the tangible costs (such as replacing signs and materials) associated with a change. We and our affiliates have invested substantial time, energy and money in the promotion and protection of our Marks. We have no present intention of altering them. However, we recognize that rights in intangible property such as the Proprietary Marks are often difficult to establish and defend, and that changes in the cultural and economic environment within which our System operates may make changes in the Marks desirable or necessary. Accordingly, we reserve the right to change our Marks and the specifications for each when we believe that such changes will benefit the System. You agree that you will promptly conform, at your own expense, to any such changes.

You must not directly or indirectly contest our rights to the Marks. We may acquire, develop and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

We do not actually know of either superior or infringing uses that could materially affect your use of such trademarks, service marks, trade names, logotypes or other commercial symbols in this state or any state in which a Franchised Business is to be located.

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

There are no patents or pending patent applications that are material to the franchise. We own copyrights in the Operations Manual, our website, our marketing materials, training manuals or videos, and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating the Franchised Business and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain trade secrets and other confidential information, including without limitation, methods of business management, manufacturing procedures, food preparation and recipes, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a Morelia business (the "**Confidential Information**"). We will provide our trade secrets and other Confidential Information to you during training, in the Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other Confidential Information for the purpose of operating your Franchised Business. You may only divulge trade secrets and/or other confidential information to employees who must have access to it to operate the Franchised Business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company or other business entity, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements in a form 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 right to enforce those agreements.

All ideas, concepts, techniques or materials concerning the franchised business and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed without additional compensation to you. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement.

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

You must use your best efforts to cooperate with us to accomplish the purposes of the Franchise Agreement. During the term of the Franchise Agreement, you (if you are a natural person) or your Operating Principal (if you are a corporation, limited liability company, partnership or other business entity), must devote full time and best efforts to the development and operation of the Franchised Business.

Whenever open for business, the Morelia Store must be overseen on site by you or an approved Retail Store Manager (and Production Manager, as applicable). Your Retail Store Manager and Production Manager can be the same person. Your managers must have successfully completed our training program and be approved by us. Notwithstanding, you must participate in the Franchised Business as follows:

1. You must submit annual financial statements, including an income statement and balance sheet, prepared in accordance with generally accepted accounting principles, within 90 days of your fiscal year end, and a profit and loss statement within ten days following the end of each month;
2. You must be directly responsible for all accounting, reporting and bookkeeping;
3. You (and your approved designated manager, if you will not be the on-site supervisor) must complete initial training and any ongoing or other training that we require;
4. You must attend any meeting of franchisees that is called by us;
5. You must be directly involved with the site selection, construction, remodeling and all financial components of the Franchised Business; and

6. You and/or your approved designated manager (who is your employee) must be directly involved in all personnel decisions; and

7. You must comply with all our requirements relating to the supervision of your Franchised Business, including inspections, reports and guidance, and which includes keeping the POS System up to date to reflect accurate sales and inventory on a daily basis.

In addition, the designated manager cannot have an interest or business relationship with any of our business competitors. The designated manager need not have an ownership interest in your corporation or partnership. You must require the designated manager and all employees to sign a confidentiality agreement and a non-compete agreement.

You must obtain covenants against the use and disclosure of any confidential information and covenants not to compete from your managers and any other employees or agents who have received or will have access to our training of Confidential Information. All of the covenants must be in substantially the same form of the Non-Disclosure and Non-Competition Agreement attached as an exhibit to the Franchise Agreement. Each of your Owners must sign the Franchise Agreement assuming and agreeing to discharge all obligations of the "Franchisee" under the Franchise Agreement and must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to comply with the covenants not to compete described in Item 17.

You must inform us in writing of any changes in the management or operation of your Franchised Business. If you are a corporation, limited liability company or other entity, each owner holding a legal interest of 5% or more in the franchise will personally guaranty and be liable for the breach of all obligations under the Franchise Agreement and do so by signing our Guaranty, which is attached as an exhibit the Franchise Agreement. However, unless your spouse is an owner of the Franchised Business or an owner of the entity that owns the Franchised Business, he or she will not be required to sign the Franchise Agreement or the Guaranty, but your spouse is required to comply with the covenants not to compete described in Item 17 and must sign the Non-Disclosure and Non-Competition Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all the services and products we specify. You are prohibited from selling any services or products that we have not authorized, and you must discontinue offering any services or products that we may disapprove of. You must prepare all items on the menu using the procedures for preparation contained in our Operations Manual or other written instructions. You must prepare and serve all authorized products in strict accordance with the recipes, methods and procedures, as prescribed in the Operations Manual. We may take action, including terminating your franchise if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized services or products. There are no limits on our right to do so, except that your investment required to change required or authorized products or services will not be unreasonably disproportionate to your initial investment.

We may designate certain products, not otherwise authorized for general use as a part of the System, to be offered locally or regionally based upon these factors as we determine, including your qualifications, test marketing, regional or local differences and climate. Furthermore, we may, in our sole discretion, give our consent to one or more franchisees to provide certain products,

not authorized for general use as part of the System, based upon the foregoing factors. This consent, with respect to any other franchisee, will not create any rights for you to provide the same products.

You must operate the Morelia franchise in strict conformity with all applicable federal, state and local laws, ordinances and regulations. These laws, ordinances and regulations vary from jurisdiction to jurisdiction and are amendable and may be implemented or interpreted in different manners over time. It is solely your responsibility to apprise yourself of the existence and requirements of all applicable laws, ordinances and regulations and to adhere to them and to the then-current implementation or interpretation of them.

We do not place restrictions on you with respect to who may be a customer of your Franchised Business. In addition, we may, from time to time, send you promotional materials and bulletins on new systems and new sales and marketing developments and techniques. You must promptly implement and/or use the ideas and implement the changes described in these materials within your Franchised Business in a commercially reasonable manner.

You may not establish an account or participate in any social networking sites, crowdfunding campaigns or blogs or mention or discuss the Morelia franchise, us or any of our affiliates without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may not sell products through other channels of distribution such as wholesale, Internet or mail order sales. Otherwise, we place no restrictions upon your ability to serve customers, provided you do so from the location of your Franchised Business in accordance with our policies.

ITEM 17
RENEWAL, TERMINATION, TRANSFER & 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 2.1	10 years
b. Renewal or extension of the term	Section 2.2	If you are in good standing, you can add two additional, consecutive terms of five years each. Beginning with the second renewal term, you will be required to pay the then-current renewal fee that is in effect at the time of renewal.

Provision	Section In Franchise Agreement	Summary
c. Requirements for franchisee to renew or extend	Section 2.2	Good standing, timely notice, sign new agreement that may contain materially different terms and conditions than the Franchise Agreement in this Disclosure Document, be current in payments, and sign release; refurbish or remodel Franchised Business to meet then-current standards, provide evidence that Franchised Business will remain at current location throughout renewed term or receive approval from us for the new location. Beginning with the second renewal period, a requirement is to pay the then-current renewal fee.
d. Termination by franchisee	None	If we terminate the Franchise Agreement for cause, or if you terminate the Franchise Agreement without cause, we can recover an amount equal to the average monthly Royalty Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by 24 (being the number of months in two full years) or the number of months remaining in the Agreement had it not been terminated, whichever is higher.
e. Termination by us without cause	None	Not applicable
f. Termination by us with cause	Section 14	We can terminate only if you default.
g. "Cause" defined – curable defaults	Section 14.2, 14.3	Except where state law provides otherwise, where applicable, default cure periods can range from 30-day, 7-day, 24 hour and on demand cure periods, depending on the type of default.

Provision	Section In Franchise Agreement	Summary
h. "Cause" defined – non-curable defaults	Section 14.1	Non-curable defaults include: failure to pay amounts due within 10 days after notice; insolvency, bankruptcy, general assignment for the benefit of creditors, appointment of a receiver or custodian, or final judgment remains unsatisfied for 30 days or more; failure to locate an approved location or to open for business within the required time periods; abandonment of the franchise; loss of right to occupy the premises; failure to operate or maintain, or unapproved modification of the POS System or other required systems; understatement of Gross Revenues by 2% or more;

<p>h. "Cause" defined – non-curable defaults</p>	<p>Section 14.1</p>	<p>material misrepresentation or omissions; repeated excessive use of alcohol or drugs; failure to comply with applicable laws and license requirements; unauthorized use of any marks or disclosure of confidential information; operation of the Franchised Business as a health, safety or welfare hazard; conviction or plea of no contest or guilty to a felony or other serious crime or offense likely to adversely affect the Marks or the System; judgment or consent decree entered against you or your owners involving fraud or unfair/deceptive trade practices; unauthorized transfers; failure to comply with restrictive covenants, including non-solicitation and non-competition; knowingly maintain false books or records; unlawful or deceptive trade practices; failure to comply with standards and specifications not cured within 10 days after notice; termination of another franchise agreement between you and us; repeated defaults, even if cured; engaging in illegal, immoral or unethical acts in violation of our mission and values; default under the lease or any other agreement and failure to cure such default within the applicable cure period, regardless of whether such agreement is terminated; unapproved relocation of the Franchised Business; violation of existing confidentiality or non-competition agreements with third parties upon entering into franchise agreement; failure to maintain a qualified Operating Principal; or blocking of your or your owners' property or interests under Anti-Terrorism laws.</p>
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Provision	Section In Franchise Agreement	Summary
i. Franchisee's obligations on termination/non-renewal	Section 15	Obligations include, among others: You must cease operating the Franchised Business, cease using the Marks and System, completely de-identify the Franchised Business, pay all amounts due to us or our affiliates, return the Operations Manual and other proprietary materials, assign telephone numbers and listings to us, and comply with confidentiality requirements and post-term restrictive covenants.
j. Assignment of contract by us	Section 13.1	No restriction on our right to assign.
k. "Transfer" by franchisee – definition	Section 13.2, 13.3	Includes transfer of any interest in the Franchise Agreement, Franchised Business (including the assets) or Franchisee.
l. Our approval of transfer by franchisee	Section 13.2, 13.3	We have the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 13.2, 13.3	You may transfer a non-controlling interest in you to a qualified transferee, with our prior written consent. For transfer of the Franchise Agreement or a controlling interest in you, we may require, among other things, that you (a) pay all amounts due us or our affiliates; (b) not be in default, (c) sign a general release; and (d) pay a transfer fee. The proposed transferee must meet our criteria, assume all of your obligations, attend training, renovate the Morelia Store and sign our then-current form of Franchise Agreement.
n. Our right of first refusal to acquire franchisee's business	Section 13.4	We can match any offer for your business, subject to the terms and conditions set forth in the transfer agreement.

Provision	Section In Franchise Agreement	Summary
o. Our option to purchase franchisee's business	Section 12.13.6	In the case of early termination, we may, in our sole discretion, purchase your equipment, signs, trade fixtures, furnishings and other personal property at purchase cost with a depreciation deduction.
p. Death or disability of franchisee	Section 13.5	Heirs or beneficiaries must be approved by us. Otherwise, franchise must be assigned by estate to approved buyer within 6 months.

Provision	Section In Franchise Agreement	Summary
<p>q. Non-competition covenants during the term of the franchise</p>	<p>Section 16.1</p>	<p>You and your owners may not: (a) divert any business or customer to a competitor, or do or perform any act injurious or prejudicial to the goodwill of the Marks and System; (b) recruit or hire any person employed by us or our franchisees; (c) solicit other franchisees, nor use available lists of franchisees, for any commercial purpose unrelated to the operation of the Franchised Business; or (d) have any involvement or interest in a "Competitive Business".</p> <p>A "Competitive Business" means any business that primarily offers frozen desserts, ice cream, gelato, sorbet, frozen yogurt, or similar frozen sweet treats as its main product line, whether served in a retail location, mobile unit, or through delivery services, or any other business in which the 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- publicly-held entity in which Franchisee owns less than a 5% legal or beneficial interest.</p>

Provision	Section In Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 16.2	You and your owners may not, for 2 years after expiration or termination of the Franchise Agreement: (a) divert any business or customer to a competitor, or do or perform any act injurious or prejudicial to the goodwill of the Marks and System; (b) recruit or hire any person employed by us or our franchisees; (c) solicit other franchisees nor use available lists of franchisees for any commercial purpose or (d) have any involvement or interest in a Competitive Business located within a 15-mile radius of the premises of the Franchised Business or the location of any company-owned or franchised location in existence on the date of termination or expiration of the Franchise Agreement.
s. Modification of agreement	Section 21	You must comply with the Operations Manual, as amended. Franchise Agreement may not be modified unless mutually agreed to in writing, except we may reduce scope of covenants.
t. Integration/merger clause	Section 21	Only the terms of the Franchise Agreement are binding (subject to this Disclosure Document and applicable state law). Any other promises may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 23	Except for certain claims, all claims must first be mediated prior to arbitration or litigation. Except for certain claims, all disputes must be arbitrated in Florida. The arbitration will occur with each respective party paying its own costs.

Provision	Section In Franchise Agreement	Summary
v. Choice of forum	Section 23	Any disputes shall be instituted exclusively in a court of competent jurisdiction in Miami-Dade County, Florida (subject to applicable state law)
w. Choice of law	Section 23	Florida law applies (subject to applicable state law).

In addition to the provisions noted in the chart, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of a right to a jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. We recommend that you carefully review these provisions with an attorney.

Please refer to the disclosure addenda and contractual amendments appended to this Disclosure Document for additional terms that may be required under applicable state law. These additional disclosures, if any, appear in an addendum or rider in **Exhibit "D"**. Please note, though, that if you would not otherwise be covered under those state laws by their own terms, then you will not be covered merely because we have given you an addendum that describes the provisions of those state laws.

THE MULTI-UNIT DEVELOPER RELATIONSHIP

Provision	Section in Multi-Unit Development Agreement	Summary
a. Length of the franchise term	5	Length of the Minimum Performance Schedule
b. Renewal or extension of the term	5	After all Morelia Stores have been developed, we will negotiate in good faith another Multi-Unit Development Agreement
c. Requirements for multi-unit developers to renew or extend	Not applicable	
d. Termination by multi-unit developer	Not applicable	The Agreement does not provide for this. But you may seek to terminate on any grounds available to you at law
e. Termination by franchisor without cause	Not applicable	
f. Termination by franchisor with cause	9	We can terminate if you commit any one of several listed violations

Provision	Section in Multi-Unit Development Agreement	Summary
g. "Cause" defined – curable defaults	9	If you use the Marks or System without our consent; participating in a competing business; failure to pay us money when due; you begin developing a Morelia Store before all of your pre-development obligations are met; failure to obtain our consent when required; you open any Morelia Store before a Franchise Agreement for that Store has been signed
h. "Cause" defined – non-curable defaults	9	Failure to meet your minimum performance schedule; failure to comply with applicable laws; if all of your Morelia Store stop operating; unauthorized transfer; you make a material misrepresentation to us; conviction by you or your owners of an indictable offense; bankruptcy or insolvency; if a Franchise Agreement with us is terminated according to its terms (this is a cross-default provision)
i. Multi-unit developer's obligations on termination/ non-renewal	10	You must stop selecting sites for the Morelia Store, and you may not open any more Morelia Stores
j. Assignment of contract by franchisor	11	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Multi-Unit Development Agreement
k. "Transfer" by multi-unit developer – defined	11	Includes transfer of any interest in the Multi-Unit Development Agreement
l. Franchisor approval of transfer by multi-unit developer	11	We have the right to approve all transfers, our consent not to be unreasonably withheld
m. Conditions for franchisor approval of transfer	11	Conditions for transfer include not being in default, at least 25% of all Morelia Stores required to be developed are open or under construction, all debts are paid, the buyer meets our current criteria for new Multi-Unit Developers, execution of a general release (where legal), payment of transfer fee, buyer personally guarantees all obligations

Provision	Section in Multi-Unit Development Agreement	Summary
n. Franchisor’s right of first refusal to acquire multi-unit developer’s business	11	We have the right to match the offer
o. Franchisor’s option to purchase multi-unit developer’s business	Not applicable	
p. Death or disability of multi-unit developer	11	Interest must be transferred to an approved party within 12 months
q. Non-competition covenants during the term of the franchise	12	Includes prohibition on engaging in any other Competitive Business
r. Non-competition covenants after the franchise is terminated or expires	12	Includes a two-year prohibition similar to “q” (above), within the Development Area, within 5 miles of the Development Area, or within a 5-mile radius of any Morelia Store operating under the System at the time of termination or expiration.
s. Modification of the agreement	18	Multi-Unit Development Agreement may not be modified unless mutually agreed to in writing
t. Integration/merger clause	18	Only the terms of the Multi-Unit Development Agreement are binding (subject to state law). Any representations or promises outside the disclosure document and Multi-Unit Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	19	Mediation and arbitration in Florida, subject to applicable state and federal law
v. Choice of forum	19	Any disputes shall be instituted exclusively in a court of competent jurisdiction in Miami-Dade County, Florida.
w. Choice of law	18	Florida, subject to applicable state and federal law

ITEM 18
PUBLIC FIGURES

We currently do not use any public figures to promote 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 that you are considering buying; or (2) a franchisor supplements the information provided in Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

As of December 31, 2024, we had 15 franchised Morelia Stores and three Affiliate-Owned Units. The tables below present financial information for the Stores that have been open for more than 12 consecutive months as of December 31, 2024 (the “Reporting Period”). These include eight franchised Morelia Stores (“Franchised Stores”, and together, the “Reporting Group”) and three Affiliate-Owned Units.

The information in the tables below is based on historical data received from franchisees’ POS systems, as well as the sales records and reports generated by our Affiliate-Owned units. We have not audited these amounts but have no reason to doubt the accuracy of the information.

Tables 1 and 2
Affiliate-Owned Units - Gross Sales Performance History

Table 1

Store	2024 Gross Sales (Average Per Month)	2024 Gross Sales (Annual)
Affiliate-Owned Unit #1	\$46,873	\$562,476
Affiliate-Owned Unit #2	\$25,041	\$300,492
Affiliate-Owned Unit #3	\$33,289	\$399,468

Table 2

	Monthly Gross Sales Average	Annual Gross Sales Average
Average	\$35,068	\$420,812
Median	\$33,289	\$399,468
Highest	\$46,873	\$562,476
Lowest	\$25,041	\$300,492
Number/Percentage Above Average	1 / 33%	1 / 33%

**Tables 3 and 4
Franchised Stores - Gross Sales Performance History**

Table 3

Store	2024 Gross Sales (Average Per Month)	2024 Gross Sales (Annual)
Franchised Store #1	\$44,429	\$533,148
Franchised Store #2	\$40,308	\$483,696
Franchised Store #3	\$36,861	\$442,332
Franchised Store #4	\$35,826	\$429,912
Franchised Store #5	\$41,896	\$502,752
Franchised Store #6*	\$30,290	\$363,480
Franchised Store #7	\$20,404	\$244,848
Franchised Store #8	\$49,593	\$595,116

* Denotes Kiosk location

Table 4

	Monthly Gross Sales Average	Annual Gross Sales Average
Average	\$37,451	\$449,411
Median	\$38,585	\$463,014
High	\$49,593	\$595,116
Low	\$20,404	\$244,848
Number/Percentage Above Average	4 / 50%	4 / 50%

**Tables 5 and 6
Affiliate-Owned Units – Paletas Sold**

Table 5

Store	Paletas Sold (Monthly Average)	Paletas Sold (Annual)
Affiliate-Owned Unit #1	5,809	69,708
Affiliate-Owned Unit #2	3,067	36,804
Affiliate-Owned Unit #3	4,188	50,256

Table 6

	Paletas Sold (Monthly Average)	Paletas Sold (Annual)
Average	4,355	52,256
Median	4,188	50,256
High	5,809	69,708
Low	3,067	36,804
Number/Percentage Above Average	1 / 33%	1 / 33%

**Tables 7 and 8
Franchised Units – Paletas Sold**

Table 7

Store	Paletas Sold (Monthly Average)	Paletas Sold (Annual)
Franchised Store #1	5,320	63,840
Franchised Store #2	5,170	62,040
Franchised Store #3	4,516	54,192
Franchised Store #4	4,948	59,376
Franchised Store #5	5,626	67,512
Franchised Store #6	4,336	52,032
Franchised Store #7	2,729	32,748
Franchised Store #8	5,957	71,484

Table 8

	Paletas Sold (Monthly Average)	Paletas Sold (Annual)
Average	4,732	56,784
Median	5,320	63,840
High	5,957	71,484
Low	2,729	32,748
Number/Percentage Above Average	5 / 62.5%	5 / 62.5%

NOTES:

For purposes of this Item 19, Gross Sales means the total revenue derived from the sale of goods or services less tips, refunds and sales tax.

The earnings claims figures in this Item 19 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

The information contained in the statement above has not been audited and is provided as reference information only for your use with other information. Written substantiation for the financial performance representation will be made available to you on reasonable request.

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

Actual results may vary from franchise to franchise and depend on a variety of internal and external factors, many of which neither we nor any prospective franchisee can estimate, such as competition, economic climate, demographics, and changing consumer demands and tastes. A franchisee's ability to achieve any level of product sales or net income will depend on these factors and others, including the franchisee's level of expertise, none of which are within our control. Accordingly, we cannot, and do not, estimate the results of any particular franchise.

Other than the preceding financial performance representation, we do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Gilbert Arismendi at 76 Miracle Mile, Coral Gables, Florida 33134, (561)779-0577, or gilbert@paletasmorelia.com, the Federal Trade Commission and the appropriate state regulatory agencies

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years December 31, 2022 to December 31, 2024

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2022*	7	6	-1
	2023	6	7	+1
	2024	7	15	+8

Company and Affiliate-Owned	2022	3	4	+1
	2023	4	5	+1
	2024	5	3	-2
Total US Outlets				
	2022	10	10	0
	2023	10	12	+2
	2024	12	18	+6

Table No. 2
Transfers of Outlets from Franchisees
To New Owners
(Other Than the Franchisor)
For years December 31, 2022 to December 31, 2024

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Florida	2022	0
	2023	0
	2024	0
Total	2022	0
	2023	0
	2024	0

Status of Franchised Outlets
For Years December 31, 2022 to December 31, 2024

State	Year	Outlets at the Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Florida	2022	6	0	0	0	0	2	4
	2023	4	0	0	0	0	0	4
	2024	4	2	0	0	0	1	5
North Carolina	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
New Jersey	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Totals US								
	2021*	7	1	0	0	0	2	6
	2022	6	1	0	0	0	0	7
	2023	7	3	0	0	0	1	9

Table No. 4
Status of Company and Affiliate-Owned Outlets for Years December 31, 2022 to
December 31, 2024

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets sold to Franchisees	Column 8 Outlets at End of the year
Florida	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
Texas	2022	0	0	0	0	0	0
	2023	1	1	0	0	0	2
	2024	2	0	0	0	2	0
Total							
	2022	3	1	0	0	0	4
	2023	4	1	0	0	0	5
	2024	5	0	2	0	2	5

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

Column 1 State	Column 2 Franchise Agreements Signed but Outlets Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company or Affiliate-Owned Outlets in the Next Fiscal Year
Florida	0	0	0
North Carolina	1	0	0
Texas	1	0	0
New Jersey	0	0	0
South Carolina	0*	0	0
Total	1	0	0

* This outlet in South Carolina opened in January 2025.

Exhibit “F” lists the names of all current franchisees with their business address and business telephone number as well as the franchisees who have signed franchise agreements for Morelia franchises which are not yet operational, or the name, city, state, and current business telephone number (or, if unknown, the last known home telephone number) of 15 franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or has not communicated with us within ten weeks of the issuance date of this Disclosure Document.

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

As of the date of this Disclosure Document, we are not offering any existing franchised outlets to prospective franchisees. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a separate supplement to this Disclosure Document.

We have no current or former franchisees who have signed provisions during the last three fiscal years restricting their ability to speak openly to you about their experience with the Morelia franchise system.

As of the date of this Disclosure Document, there are no franchisee organizations sponsored or endorsed by us, and no independent franchisee organizations have asked to be included in this Disclosure Document.

ITEM 21 **FINANCIAL STATEMENTS**

The following documents are attached to this Disclosure Document as **Exhibit “F”**:

- Audited balance sheet as of December 31, 2024, and 2023 and 2022, and related statements of income, changes in members’ equity, and cash flows for the years ended December 31, 2024, and 2023 and 2022.

Our fiscal year end is December 31.

ITEM 22 **CONTRACTS**

Copies of the following forms, contracts and/or agreements are attached as exhibits to this Disclosure Document:

Exhibit B	Franchise Agreement (with attachments) and Guaranty
Exhibit C	Multi-Unit Development Agreement
Exhibit I	Assignment and Assumption of Franchise Agreement
Exhibit J	Franchisee Disclosure Questionnaire

ITEM 23 **RECEIPTS**

You will find two copies of a detachable Receipt in **Exhibit “K”** at the end of the Disclosure Document. One Receipt must be signed, dated and delivered to us. The other Receipt should be retained for your records.

EXHIBIT "A" TO THE DISCLOSURE DOCUMENT

STATE AGENCIES AND ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed below.

Our registered agent in the State of Florida is:

Gilbert Arismendi
76 Miracle Mile
Coral Gables, Florida 33134

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
California	Department of Financial Protection & Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013 (213) 576-7500 Toll Free: (866) 275-2677	Commissioner of the Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free: (866) 275-2677
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, Hawaii 96810	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis,	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020

Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933	
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222	Secretary of State 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
North Dakota	Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505-0510	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-	
South Dakota	Department of Labor & Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501	

Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768	

EXHIBIT "B" TO THE DISCLOSURE DOCUMENT

FORM OF FRANCHISE AGREEMENT

LEFAB FRANCHISOR, LLC FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into this ____ day of _____, 20__, (the “**Effective Date**”) between LEFAB Franchisor, LLC a Florida limited liability company with a principal place of business at 76 Miracle Mile, Coral Gables, Florida 33134 (“**FRANCHISOR**”, “**we**”, “**us**” or “**our**”) and _____, with the current address of _____ (“**FRANCHISEE**”, “**you**” or “**your**”).

WITNESSETH:

WHEREAS, we have developed a proprietary system through significant expenditures of time, skill, effort and money (the “**System**”), relating to the establishment, development, and operation of a retail store that sells premium desserts and other frozen novelties, namely, dairy-based and fruit-based gelato and sorbet bars that can be combined with a variety of fresh fruits, nuts, chocolate dipping’s or other ingredients, as well as milkshakes, smoothies, and coffee beverages under the name “Morelia Gourmet Paletas” using our proprietary recipes (a “**Morelia franchise**” or the “**Franchised Business**”);

WHEREAS, we have developed the uniform standards, specifications, methods, policies, and procedures for Morelia franchise operations, including but not limited to, proprietary recipes, training and operational assistance, as well as advertising and promotional programs, all of which may be changed, improved upon and further developed from time to time;

WHEREAS, we, through our dedicated operations and marketing methods, have developed the reputation, public image, and goodwill of our System;

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the marks MORELIA GOURMET PALETAS, and such other trade names, service marks and trademarks as are now and may hereafter be designated for use in connection with the System (all of which are referred to as the “**Marks**”);

WHEREAS, you desire to operate a Franchised Business under the System and the Marks and to obtain a license from us for that purpose, as well as to receive the training and other assistance provided by us in connection therewith;

WHEREAS, you acknowledge that you have read this Agreement and our Franchise Disclosure Document, and that you have no knowledge of any representations about the Franchised Business or about us or our franchising program or policies made by us or our officers, directors, shareholders, employees or agents which are contrary to the statements in our Franchise Disclosure Document or to the terms of this Agreement, and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all facilities which operate pursuant to the System and thereby to protect and preserve the goodwill of the Marks; and

WHEREAS, you acknowledge that any assistance, approval or advice given by us under or in connection with this Agreement shall not constitute a warranty or guaranty of the financial success of your Franchised Business. You further acknowledge that we have advised you that prior business management experience is critical for the success of your Franchised Business, and prior business ownership experience is highly desirable. We grant Morelia franchises to

qualified candidates for the right to develop and operate a Morelia Store at a kiosk or at in-line store location (each, a “**Morelia Store**”).

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth in this Agreement, mutually agree as follows:

1. **GRANT**

1.1 Grant. You have applied for a Morelia franchise to operate a Morelia Store within the Protected Territory (as defined below) that is approved by us, and we have approved such application in reliance upon all of the representations made in your application, which you hereby verify to be accurate and complete. We therefore grant to you, upon the terms and conditions contained in this Agreement, the right and license to: (a) independently manage and operate one Morelia Store in strict conformity with our standards and specifications, as they may be changed, improved and further developed from time to time; (b) use the Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Marks and the System), and in accordance with the marketing strategies that we establish for the System; and (c) to do all of the things described in (a) and (b) above only within the Protected Territory agreed to by us. You accept this license and agree to perform your obligations in connection therewith as set forth in this Agreement.

The establishment by you of additional Franchised Businesses requires additional franchises from us and the payment of additional franchise fees. You do not have the right to franchise, sub-franchise, license or sublicense your rights under this Agreement. You do not have the right to assign this Agreement or your rights under this Agreement, except as specifically provided for herein.

1.2 Approved Location. We grant you the right to operate one Morelia Store in conformity with our System only at the Approved Location described in Schedule “A” to this Agreement. The term “**Approved Location**” means the street address of the location for the Morelia Store that we approve under the terms of this Agreement. If the site has not been determined as of the Effective Date of this Agreement, then we will designate the geographical area in which the Franchised Business is to be located. Upon our approval, we will insert its address into Schedule “A”, and it will be the Approved Location.

1.3 Protected Territory and Limitations. We may grant you a non-exclusive, designated territory (“**Protected Territory**”) consisting of a geographic area where we will not operate or grant a franchise or license to a third party to operate, a Franchised Business that is physically located in your Protected Territory, except as otherwise provided in this Section. If we grant you a designated Protected Territory, it will consist of the geographic area identified in Schedule “A.” We, and our affiliates, have the right to operate, and to license others to operate, Franchised Businesses at any location outside the Protected Territory, even if doing so will or might affect your operation of your Franchised Business. We shall also have the right to operate, and license others to operate, Morelia Stores in the Protected Territory that are located in industrial feeding settings and/or captive market locations (including airports, train stations, bus stations, travel plazas, supermarkets, “box” or chain stores, shopping malls, theaters, museums, art centers, stadiums, convention centers, military facilities, schools, colleges, universities, hospitals, amusement parks, contract feeders, and business cafeterias). If your Protected Territory overlaps with a protected territory with another existing franchisee, the overlapping area will be excluded from your Protected Territory.

We retain all territorial rights not expressly granted to you. This includes, but is not limited to, the right to (i) to own, franchise, or operate Franchised Businesses at any location outside of the Protected Territory, regardless of the proximity to your Franchised Business; (ii) to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Protected Territory, including, but not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet; (iii) to use and license the use of other proprietary and non-Marks or methods which are not the same as or confusingly similar to the Marks, at any location, including within the Protected Territory, which may be similar to or different from your Franchised Business; (iv) to engage in any transaction (including purchases, mergers or conversions), involving the System or a new system, with any business, including businesses that directly or indirectly compete with your Franchised Business, regardless of their location, provided that any competing businesses located inside your Protected Territory will not operate under the Marks; (v) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere; (vi) to engage in any other business activities not expressly prohibited by this Franchise Agreement.

We are not required to pay you if we exercise any of our rights, including within your Protected Territory. We are not required to pay you compensation for soliciting or accepting orders inside your Protected Territory, including orders accepted or solicited by other Morelia franchisees, or for exercising any of our rights within or outside of your Protected Territory. You agree that you may face competition from us, from other franchisees and from other channels of distribution or competitive brands that we control within the Franchise Territory. We will approve your Protected Territory in Schedule "A" after your Approved Location is accepted by us. You may be required to sign an amended Schedule "A" after your Approved Location is accepted.

The designation of your Approved Location and Protected Territory herein does not grant exclusivity of marketing territory or customers. Except as provided herein, there are no restrictions on who you can sell products and services to. If a customer places an order online, the Morelia Store that is physically closest to the location by geolocation will receive that order. We retain the right to sell any product under our Marks or any other name or mark to any customer within the foregoing territory, including the exclusive right to all wholesale sales. We may also establish policies regarding your off-site marketing and promotion, which will be set forth in the Operations Manual or otherwise in writing.

1.4 Relocation. You cannot relocate your Franchised Business without our express prior written consent, and you must satisfy the following conditions:

1. You are in good standing under the Agreement and current in your financial obligations to us and our affiliates;
2. You must deliver to us a current financial statement, including a profit and loss statement for the Franchised Business during the last 12 months of operation at the former location and a copy of the proposed lease for the new location;
3. You must comply with such reasonable site selection and construction procedures as we may require;
4. The new location must be constructed, furnished and equipped in accordance with our then-current design specifications and standards for the Morelia Store;

5. You must be current on your financial obligations to us and our affiliates;
6. You must give us written notice of the proposed relocation at least 90 days before the relocation date; and
7. At our option, you enter our then-current form of franchise agreement, including our then-current royalty fee, except that the term of the new franchise agreement will expire on the date of the prior Franchise Agreement, to conform it to our then-current form of Franchise Agreement, and there will be no requirement for a new initial franchise fee.

The Morelia Store must be open for business in the new location within 30 days, unless we consent, in our sole discretion, to a 30-day extension. Any failure to provide us with 90 days advance written notice of the proposed relocation, or to relocate the Franchised Business within the required time period, will be a material default under this Agreement, and we will have the right to terminate this Agreement.

1.5 Forms of Agreement. You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect our or your duties to comply with the terms of this Agreement.

1.76 Modifications to the System. You understand and agree that the System must not remain static if it is to meet (without limitation) presently unforeseen changes in technology, competitive circumstances, demographics, population, consumer trends, social trends and other marketplace variables, and if it is the marketplace that serves the interests of us, you and all other Morelia franchisees. Accordingly, you expressly understand and agree that we may from time to time change the components of the System, including, without limitation, altering the products, programs, services, methods, standards, forms, policies and procedures of the System; abandoning the System altogether in favor of another system in connection with a merger, acquisition or other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your Franchised Business is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder; and, changing, improving, modifying or substituting the Marks. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations. You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed. Except as provided herein, we shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby.

2. TERM AND RENEWAL

2.1 Initial Term. Except as otherwise provided herein, the term of this Agreement will commence on the date hereof and expire ten years from such date; provided, however, that if you lease the business premises, and the lease agreement for your business premises is terminated prior to the expiration of this Agreement, we may, at our option, terminate this Agreement. However, if the termination of the lease is of no fault of your own, then you will be allowed a reasonable amount of time, in our reasonable discretion, to find a suitable, agreed upon location to continue the business.

2.2 Renewal. You may, at your option, renew this Agreement for two consecutive terms of five years each, or such period as remains on the lease underlying the initial term of this Agreement, if such period is shorter than five years, subject to the following conditions which must be met prior to the renewal period, unless and to the extent expressly waived by us:

1. You must give us written notice of your election to renew not less than six months or more than 12 months before the end of the initial term or any subsequent renewal term. Failure to provide such notice shall constitute an affirmative election that you elect to not renew your franchise agreement;

2. At least four months prior to the expiration of the current term of this Agreement, we will have the right to inspect the Franchised Business and give notice of all required modifications to the nature and quality of the services and products offered at the Franchised Business, your advertising, marketing and promotional programs, your financial and inventory control systems, and the maintenance, refurbishing, equipment upgrade and replacement, renovating and remodeling necessary to comply with our then current standards and specifications and with the requirements of the lease for the Franchised Business. If you elect to renew this Agreement, then you shall complete, to our satisfaction, all such required modifications, as well as adopt and implement any new methods, programs, modifications, techniques or operational systems required by our notice no later than one month prior to expiration of the current term of this Agreement;

3. You will not be in material default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreements with us or any of our affiliates, and you will have substantially complied with all the terms and conditions of such agreements during the terms thereof;

4. You have satisfied all monetary obligations owed to us and our affiliates and will have timely met those obligations throughout the term of this Agreement;

5. You will execute our then-current form of franchise agreement, which will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher percentage Royalty Fee, Marketing Fee and Local Advertising requirement;

6. During your first renewal term, you will not be required to pay us a renewal fee. For your second renewal term, you must pay us a renewal fee equal to 50% of the then-current initial franchise fee payable by new franchisees;

7. You, your owners, directors and officers must execute a general release, in a form prescribed by us, of any and all claims against us and our subsidiaries and affiliates, and their respective officers, directors, shareholders, agents, and employees in their corporate and individual capacities, however, such release will not be inconsistent with any state law regulating franchising;

8. You (or your Operating Principal) and your approved manager will comply with our then-current qualification and training requirements, at your expense;

9. Before the commencement of the renewal term, you must have refurbished and remodeled your Morelia Store and updated your equipment and supplies as we may reasonably require conforming to our then-current standards for new franchisees;

10. You must present satisfactory evidence to us that you have the right to remain in possession of the premises where the Franchised Business is located for the duration of the renewal term;

11. You must maintain and be in good standing with all necessary and applicable licenses and permits, and

12. Your operation and management of the Franchised Business shall be in full compliance with the System.

In the event that any of the foregoing conditions to renewal have not been met at least one month prior to the expiration of the current term of this Agreement, then we will have no obligation to renew this Agreement and will give you at least 30 days prior written notice of our intent not to renew this Agreement, which notice shall set forth the reasons for such refusal to renew. Your right to renew this Agreement is subject to your continued compliance with all of the terms and conditions of this Agreement through the date of expiration, in addition to your compliance with the obligations described above. We have the right to extend the term of this Agreement for such period of time as we deem necessary in order to provide you with 30 days' notice of our refusal to renew this Agreement.

3. YOUR REPRESENTATIONS, WARRANTIES AND COVENANTS

3.1 Your Investigation of this Franchise.

1. You acknowledge having received our Franchise Disclosure Document within the time period required by applicable law before you executed this Agreement or paid any consideration to us or an affiliate. You further acknowledge that you have read this Agreement (including all exhibits) and our Franchise Disclosure Document and that you understand the terms of this Agreement (including all exhibits) and accept them as being reasonably necessary for us to maintain the uniformity of Morelia franchises and to protect the goodwill of the Marks and the integrity of the System.

2. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that an investment in a Morelia franchise involves business risks, that your success is largely dependent on your own abilities, efforts and active participation in the daily affairs of the Franchised Business, and that the nature of Morelia franchises may change over time. **You have not received or relied on any guaranty or assurance, express or implied, as to the revenues, profits or potential success of the business contemplated by this Agreement.**

3. You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement.

4. Whenever we have expressly reserved in this Agreement, or are deemed to have, a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, then except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including, without limitation, our judgment of what is in the best interests of our franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (a) other reasonable alternative decisions or

actions could have been made by us; (b) our decision or the action we take promotes our financial or other individual interest; (c) our decision or the action we take applies differently to you and one or more other franchisees or our company-owned operations; or (d) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

5. You expressly understand and acknowledge that you are relying solely on us, and not on any affiliated entities related to us, with regard to our financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, us has made any statement or promise to the effect that our affiliated entities or parent companies guarantee our performance or financially back us.

3.2 Your Organization. If you are a corporation, partnership, limited liability company or other legal entity:

1. You are duly organized and validly existing under the law of the state of your formation;

2. You are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification;

3. Your corporate charter or written partnership or limited liability company agreement, as applicable, will at all times ensure that your activities are confined exclusively to the operation of Morelia Stores. You warrant and represent that neither you nor any of your owners own, operate or have any financial or beneficial interest in any business that is the same as or substantially similar to a Morelia Store;

4. The execution of this Agreement and the performance of the transactions contemplated by this Agreement are within your corporate power, or if you are a partnership or a limited liability company, are permitted under your written partnership or limited liability company agreement, and have been duly authorized;

5. You will provide to us, at our request, copies of your articles of incorporation and bylaws or, as applicable, your written partnership or limited liability company agreement, other governing documents, any amendments to them, resolutions authorizing your entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of your stock or other ownership interests and any other documents that we may reasonably request;

6. Your organizational or governing documents will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

7. Schedule "B" accurately and completely describes all of your owners and their ownership interests in you as of the Effective Date. You agree to sign and deliver to us

revised Schedule “B” to reflect any permitted changes in the information Schedule “B “ now contains (no ownership changes may be made without our prior written approval);

8. Each of your owners during the term of this Agreement will sign and deliver to us our standard form of Owners’ Guaranty, undertaking to be bound, jointly and severally, by all provisions of this Agreement. A copy of our current form of Owners’ Guaranty is attached as Exhibit “4” to this Agreement; and

9. You must, subject to our approval, designate at least one of your owners as your “**Operating Principal.**” The Operating Principal must maintain direct or indirect ownership interest of not less than 5% of the Franchised Business and must have full authority to bind you with respect to all operational decisions with respect to your Franchised Business. If you are an individual, you will perform all obligations of the Operating Principal. The Operating Principal must devote best efforts to the development and operation of the Franchised Business and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments (except other Morelia franchises operated under valid agreements with us) or otherwise may conflict with your obligations under this Agreement. If, at any time, your Operating Principal cannot fulfill its responsibilities under this Agreement, you must appoint a qualified replacement from among your owners, subject to our approval, to serve as the replacement Operating Principal. The Operating Principal must at all times be on-site or on-call to oversee the operations of the Franchised Business and meet our initial and ongoing requirements for serving as an Operating Principal.

3.3 Legal Compliance. In addition to complying with your obligations under this Agreement, you agree to comply with all applicable federal, state and local laws, rules, regulations, ordinances and orders. Such laws, rules, regulations, ordinances and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time. It is your sole responsibility to apprise yourself of the existence and requirements of all such laws, rules, regulations, ordinances and orders, and to adhere to them at all times during the term of this Agreement.

3.4 Anti-Terrorism Activities. You certify that neither you nor any of your owners, employees or anyone associated with you is listed in connection with any Anti-Terrorism Law (as defined below) and you agree not to hire or have any dealings with a person so listed. You further certify that you have no knowledge or information that, if generally known, would result in you, your owners, employees, or anyone associated with you being so listed. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws and, in connection with such compliance, you represent and warrant that none of your property or interests are subject to being “blocked” under any of the Anti-Terrorism Laws and that you and your owners are not otherwise in violation of any of the Anti-Terrorism Laws. Any misrepresentation by you under this Section or any violation of the Anti-Terrorism Laws by you, your owners or employees, will constitute grounds for immediate termination of this Agreement and any other agreement you have entered into with us or one of our affiliates in accordance with the terms of Section 14.A. of this Agreement. For purposes of this Agreement, “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury

Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

3.5 Continuing Obligations. You and your owners make the foregoing representations, warranties and covenants, and understand that such representations, warranties and covenants are continuing obligations. You agree to cooperate with us to verify you and your owners' continuing compliance with such representations, warranties and covenants. Any failure to comply with these representations, warranties and covenants will constitute a material event of default under this Agreement.

4. DUTIES OF FRANCHISOR

4.1 Pre-Opening Obligations. Our duties prior to the opening of the Franchised Business are as follows:

1. If the location for your Morelia Store has not been approved at the time you sign the Franchise Agreement, we will designate a geographic area within which the Morelia Store is to be located.

2. We will provide to you our criteria for Morelia Store locations. We will review and advise you regarding potential locations that you submit to us. You will have three months following the Effective Date of this Agreement to locate and receive our written approval of a site for the Franchised Business.

3. We will approve or disapprove your site for the Franchised Business. We will approve or disapprove a site that you propose within 30 days after we receive from you a complete site report and any other materials that we may require for assessing potential. If you have not heard from us within such 30-day period, the proposed site is deemed disapproved. The general site selection and evaluation criteria which we consider in approving your site includes the condition of the premises, demographics and population density of the surrounding area, traffic patterns, proximity to other Morelia Stores, competition, occupancy costs, ease of access, tenant mix in a shopping center, mall or other retail environment, available parking and overall suitability. You must open your Franchised Business within nine months of the date of your Franchise Agreement. If you fail to do so, we may terminate the Franchise Agreement.

4. We will review and approve or disapprove the lease for your site. You must obtain our approval of the lease or sublease (or any modification or amendment) for the location before you sign it, or any renewal of it. A condition to our approval of the lease (or sublease) is the execution by you, the landlord and us of the Addendum to Lease Agreement/Conditional Assignment of Lease (a copy of which is attached as an exhibit to the Franchise Agreement).

5. We will furnish you with mandatory and suggested specifications for Morelia Stores, including kiosk locations, requirements for dimensions, design, color scheme, image, layout, décor, fixtures, equipment, signs and furnishings. You are solely responsible for developing and constructing the site for your Franchised Business, for all expenses associated with it, and for compliance with the requirements of any applicable federal, state or local law.

6. We will provide you with written specifications for the operation and management of the Franchised Business, as well as our lists of approved suppliers.

7. We will provide you with our initial training program.

8. We will loan to you a single set of our Operating Manuals (the “**Operations Manual**”), in text or electronic form, which will include specifications for equipment, supplies, inventory, management, and operation. The Operations Manual is confidential and remains our property.

4.2 Post-Opening Obligations. Our obligations following the opening of the Franchised Business are as follows:

1. We will provide the general advisory assistance and field support deemed by us, in our discretion, to be helpful to you in the ongoing operation, advertising and promotion of the Franchised Business.

2. We will continue our efforts to establish and maintain high standards of quality, customer satisfaction and service.

3. We will provide you with updates, revisions and amendments to our Operations Manual. We may periodically modify the Operations Manual, but these modifications will not alter your fundamental status and rights under the Franchise Agreement.

4. We will, on a periodic basis, conduct (as we deem advisable) inspections of the Franchised Business and its operations and evaluations of the methods and the staff.

5. We will provide guidance to you with respect to: (a) specifications, standards and operating procedures, including providing suggested retail prices; (b) purchasing approved equipment, fixtures, signs, inventory, and operating materials and supplies; and (c) development and implementation of local advertising and promotional programs. Such guidance will, in our discretion, be furnished in the form of the Operations Manual, bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices.

6. We will, at your request or if we in deem it necessary, provide you refresher training. You are required to pay any costs we incur in connection with providing such refresher training. We also reserve the right to charge you our then-current refresher training fee. We may require you or any manager of the Franchised Business to participate in, at your expense, additional or refresher training programs at location we designate.

7. If we in, our sole discretion deems it necessary, we may periodically furnish you the services of a representative, whether in person or telephonically or via consultations held at our office, to provide additional operating assistance.

8. We will administer the MF Account in the manner described in the Franchise Agreement.

All of our obligations under this Agreement are to you, and no other party is entitled to rely on, enforce or obtain relief for breach of such obligations either directly or by subrogation. Although we may voluntarily provide additional services, no additional duties may be implied because we provide those additional services (if any). We have no implied duties or other duties not expressly stated herein.

4.3 Delegation of Performance. You agree that we have the right to delegate performance of any portion or all of our obligations under this Agreement to third-party designees,

whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

5. **FEES**

5.1 Initial Franchise Fee. The Initial Franchise Fee is \$49,500 and is payable by you to us upon execution of this Agreement (the “**Initial Franchise Fee**”). The Initial Franchise Fee will be deemed fully earned and is not refundable under any circumstances upon execution of this Agreement in consideration for, among other things, the administrative and other expenses incurred by us in granting this franchise and for our lost or deferred opportunity to franchise others. We have no intention, now or in the future, of reducing the Initial Franchise Fee for any prospective franchisee, although we reserve the right to do so in our sole discretion on a case-by-case basis or if we run a franchise marketing promotion.

5.2 Royalty Fee. You will pay to us a fixed, continuing, non-refundable monthly royalty fee (the “**Royalty Fee**”) in an amount equal to 6% of Net Sales for the applicable payment period.

5.3 Marketing Fee. You will pay to us, due with the same frequency and collected in the same manner as the Royalty Fee, a continuing, non-refundable marketing fee in an amount equal to 3% of your Net Sales (the “**Marketing Fee**”).

5.4 Local Advertising Requirement. For each month during the term of this Agreement, you will make expenditures relating to local market advertising in the amount of at least 1% of Net Sales each month.

5.5 Grand Opening Program. You must spend at least \$10,000 on a grand opening program for a Morelia retail store and \$6,000 for a kiosk during the 30 days prior to opening and first 60 days of operation. The grand opening program will use the marketing, advertising and public relations programs, media and materials we have developed or approved and is separate from your other marketing and advertising requirements.

5.6 Technology Fee. As of the date of this Disclosure Document, for each month during the term of the Franchise Agreement, you will pay to us monthly payments equal to approximately \$400 (the “**Technology Fee**”). We can change the software and technology that must be used by the Franchised Business at any time we deem appropriate in our sole discretion. If we add or remove services included in your Technology Fee, we may increase or modify the Technology Fee upon 30 days’ written notice to you. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional software by us or by third-party vendors. We may also include up to a 10% administrative amount in connection with any future technology fee increases. This fee does not cover, and we will not perform bookkeeping, reporting or tax return services for your Morelia Store.

5.7 Management Fee. In the event we choose to operate your Franchised Business, at our option, in order to avoid interruption of business operations, due to your death, mental incapacity or other disability, or we elect to purchase the business assets upon expiration or termination of the Franchise Agreement, or you operate the Franchised Business in a manner that presents a danger to the health or safety of any person, or for any other reason, you will be required to pay us a Management Fee in the amount of 10% of your monthly Net Sales, in addition to any expenses we incur (the “**Management Fee**”). The Management Fee will be payable to us in addition to any other Royalty Fee or Marketing Fee, or any other funds to which we are entitled.

5.8 Late Payments. If, at any time, we debit your account for payment of the Royalty Fee or the Marketing Fee (the “**Monthly Fees**”), or any other amounts you owe us, and there are not sufficient funds in your account to pay such amount, or your bank refuses to clear the withdrawal in our favor, the unpaid amount will be considered late. Any required report not timely received by us will also be considered late. We will assess a late fee of \$100 for any payment is delinquent or report or item is not timely received (the “**Late Fee**”). In addition, all overdue amounts will bear interest, until paid, at the rate of 1.5% per month, or the highest rate permitted by applicable state law, whichever is less (the “**Default Rate**”). Interest shall be calculated on a daily basis. Late Fees and interest charges are nonrefundable. The provision in this Agreement concerning late fees does not mean that we accept or condone late payments, nor does it indicate that we are willing to extend credit to, or otherwise finance, the operation of your Franchised Business. These Late Fees are intended to reimburse us for our expenses and to compensate us for our inconvenience and do not constitute interest. Your failure to pay all amounts when due constitutes grounds for termination of this Agreement.

5.9 Payment Procedures. All payments and any late fees and interest charges required by this Agreement shall be paid to us by or on the 10th calendar day for the immediately preceding month through our direct debit program, or such other payment method as prescribed by us, following the preceding month which the applicable fee is being paid throughout the term of this Agreement. At our request, you will execute the pre-authorized bank form attached as Exhibit “1” to this Agreement and all other documents necessary to permit us to withdraw funds from your designated bank account by electronic funds transfer (“**EFT**”) for payment of the Monthly Fees and other amounts due us under this Agreement, at the time such amounts become due and payable under this Agreement. Should any EFT not be honored by your bank for any reason, you agree that you will be responsible for that payment and any service charge. If any payments are not received when due, interest and Late Fees may be charged. Upon written notice , we may designate another method of payment.

5.10 Definition of Net Sales. “Net Sales” means the total gross amount of all revenues, excluding only: sales tax or other receipts you collect and remit to the proper taxing authorities; tips and refunds, and authorized coupon or other promotional discounts you provide to your customers. Included in the definition is revenue from whatever source derived (whether in the form of cash, credit, agreements to pay, or other consideration (such as bartering), and whether or not payment is received at the time of sale or any of those amounts prove uncollectible. Also included is revenue that in any manner at all arises from or is derived by you or by any other business conducted or which originate in, on, from or through the Franchised Business. This includes revenue you derive through the Franchised Business, from the sale of products associated with it, and revenue derived from your use of the Marks, whether or not you conduct those operations in compliance with or in violation of this Agreement.

5.11 Application of Payments. Notwithstanding any designation you might make, we have sole discretion to apply any of your payments to any of your past due indebtedness to us. You acknowledge and agree that we have the right to set off any amounts you owe us against any amounts we might owe you.

5.12 Payment Offsets. We may set off from any amounts that we may owe you any amount that you owe to us, or our affiliates, for any reason whatsoever, including without limitation, Monthly Fees, late payment penalties and late payment interest, amounts owed to us or our affiliates for purchases or services, or for any other reason. Thus, payments that we make to you may be reduced, in our discretion, by amounts that you owe to us or our affiliates from time to time. In particular, we may retain (or direct to our affiliates) any amounts that we have received

for your account as a credit and payment against any amounts that you may owe to us, or our affiliates, at any time. We may do so without notice to you. You do not have the right to offset payments owed to us for amounts purportedly due to you from us or our affiliates.

6. DUTIES OF FRANCHISEE

6.1 Compliance with System. You understand and acknowledge that every detail of the appearance and operation of the Franchised Business in compliance with the System is critical to us and to other franchisees. Therefore, you agree to:

1. Develop and maintain high and uniform operating standards;
2. Increase the demand for the products and services sold by franchisees;

and

3. Protect the Marks and the System, and our trade secrets, reputation and goodwill.

6.2 Site Selection and Lease. You will have three months following the Effective Date of this Agreement to locate and receive our written approval of a site for the Franchised Business in accordance with the provisions contained herein. You acknowledge that the selection, procurement and development of a site for the Franchised Business is your responsibility and that our approval of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guaranty by us that the Franchised Business operated at that site will be profitable or otherwise successful. You further acknowledge that our approval and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guaranty by us that the Franchised Business operated at that site will be profitable or otherwise successful.

Upon receipt of our written approval of the location for your Morelia Store, you shall, subject to the prior approval of terms by us, execute a lease or a binding agreement to purchase the site. You must obtain our approval of the lease or sublease (or any modification or amendment) for the site. Our review of the lease or sublease shall be limited, and you may not rely on our acknowledgment that the lease or sublease satisfies our requirements to signify that we have approved the terms and provisions of the lease or sublease in all respects. It is up to you and the professionals (e.g. attorneys, consultants, etc.) you hire to make that judgment. You agree to obtain all necessary consents, approvals and signatures from the landlord or lessor for the site. You will not subsequently modify, extend or otherwise alter the terms and conditions of the lease or sublease without our prior written approval. You must deliver a copy of the signed lease or sublease to us within ten days after it is signed by both you and the landlord. You agree to abide by the terms of said lease or sublease. Your failure to locate a suitable site for the Franchised Business in accordance with the terms of this Section will be deemed a material event of default under this Agreement.

6.3 Construction Requirements. If your Franchised Business will be located in a physical store location, you must prepare, or cause to be prepared, all required construction plans and specifications to suit the shape and dimensions of the premises and ensure that these plans and specifications comply with applicable ordinances, building codes, permit requirements and lease requirements and restrictions. You are solely responsible for developing and constructing the site for your Morelia Store according to our standards and specifications, for all expenses associated with such construction, and for complying with the requirements of any applicable

federal, state or local law or ordinance. You acknowledge that design quality is important to us and that we have the right to review and accept all plans and specifications and to confirm that construction is completed in conformance with our standards and specifications.

Before the opening date, you must complete all exterior and interior preparations, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications we have approved, and must comply with all other pre-opening obligations. In addition, you must obtain all required governmental licenses, permits, and certifications. You must provide us with evidence that all necessary permits have been obtained and that all requirements for construction and operation have been met, including zoning, access, sign, fire, health, environmental, and safety requirements. If you fail to comply with any of these obligations, we have the right to prohibit you from opening. Your compliance with any plans that we provide or approve does not release you from your obligations to ensure that your location is designed, constructed, and operated in compliance with all local, state, and federal laws, including without limitation, the Americans with Disabilities Act (“**ADA**”).

6.4 Opening Date. You may not open your Morelia Store to the public until all of your pre-opening obligations have been fulfilled, including without limitation: (a) we determined that the Morelia Store has been constructed, furnished, and fully equipped in accordance with approved plans and specifications; (b) you (or your Operating Principal) and manager(s) have completed the initial training program to our satisfaction; (c) the Initial Franchise Fee and all other amounts due to us under this Agreement have been paid; (d) we have been furnished with certificates of insurance and copies of all insurance policies or all other evidence of insurance coverage as we reasonably request; (e) you have obtained a certificate of occupancy; and (f) you have obtained all necessary licenses and permits to operate the Morelia Store. Final approval by us of the opening of your Morelia Store will be in writing.

You agree to comply with these conditions and open within nine months after the Effective Date of this Agreement (the “**Commencement Deadline**”). If you do not begin operations within nine months, we may, at our sole discretion, terminate the Franchise Agreement. You should not construe our statement as any assurance, warranty or representation by us that your Franchised Business will be successful, make a profit, or continue to comply with all of our requirements and governmental requirements. You acknowledge that time is of the essence. Your failure to open the Franchised Business in compliance with these provisions will be deemed a material event of default under this Agreement.

6.5 Initial Training. In accordance with the terms and conditions set forth in Section 4.1 above, you (or your Operating Principal) and your approved manager or other key personnel must attend and complete to our reasonable satisfaction our initial training program at least 30 days prior to the opening of the Franchised Business. If we determine that you or your approved manager have failed to satisfactorily complete the initial training program, we may, in our sole discretion, allow you to repeat training, subject to our then-current fee.

6.6 Ongoing Training and Conferences. You will cause your employees (including any person subsequently acting as the Designated Manager of the Franchised Business) to attend and complete, to our reasonable satisfaction, such special programs or periodic additional training as we may require in writing from time to time. We reserve the right to charge you a fee in connection with such refresher training. You are responsible for all expenses incurred in such refresher training, including, without limitation, the costs of meals, entertainment, lodging, travel, laundry and wages. You and your staff and other employees may be required to attend, at your expense, additional training on the dates and at the locations determined by us if the Franchised

Business fails to meet certain performance standards or if we determine, in our sole discretion, that additional training is needed. We may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting Morelia franchisees. Attendance at these conferences may be mandatory or optional. We also reserve the right to restrict franchisees from attending based on past performance, previous defaults and other factors in our sole discretion. You are responsible for paying our then-current conference fee, whether or not you attend the conference in any given year.

6.7 Supervision Requirements. You must use your best efforts to cooperate with us to accomplish the purposes of the Franchise Agreement. During the term of the Franchise Agreement, you (if you are a natural person) or your operating principal (if you are a corporation, limited liability company, partnership or other business entity), must devote your best efforts to the development and operation of the Franchised Business. Whenever open for business, the Morelia Store must be overseen on site by you or an approved Designated Manager. Your Designated Manager must have successfully completed our initial training program and be approved by us. Notwithstanding, you must participate in the Franchised Business as follows:

1. You must submit annual financial statements, including an income statement and balance sheet, prepared in accordance with generally accepted accounting principles, within 90 days of your fiscal year end, and a profit and loss statement within ten days following the end of each month;
2. You must be directly responsible for all accounting, reporting and bookkeeping;
3. You (and your approved designated manager, if you will not be the on-site supervisor) must complete initial training and any ongoing or other training that we require;
4. You must attend any meeting of franchisees that is called by us;
5. You must be directly involved with the site selection, construction, remodeling and all financial components of the franchised business;
6. You and/or your approved designated manager (who is your employee) must be directly involved in all personnel decisions; and
7. You must comply with all of our requirements relating to the supervision of your franchised business, including inspections, reports and guidance.

6.8 Operation of the Franchised Business. You must operate your Morelia Store in strict accordance with this Agreement and the Operations Manual. You will not directly or indirectly operate or engage in any other business or activity from your Morelia Store location. You will not participate in any dual branding program, or in any other program, promotion, or business pursuant to which another trademark, service mark, trade name, or commercial symbol is used in connection with your Morelia Store or its location. You must keep your Morelia Store open for business and in normal operation for the minimum hours and days as we reasonably require in the Operations Manual or otherwise in writing except as may be limited by local law or the landlord's rules and regulations.

6.9 Maintenance and Repairs. You must continuously maintain the Franchised Business in the highest degree of sanitation, repair, and condition as we may reasonably require,

and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but not without our prior written consent) as may be required for that purpose, including without limitation, such periodic redecorating, replacement of inventory and replacement of obsolete signs, fixtures or materials as we may reasonably direct, or as otherwise required under the lease for the Franchised Business. You shall be responsible for the expense of such maintenance. If you fail or refuse to initiate a bona fide program to complete any required maintenance within 30 days after receipt of such notice, we shall have the right, but not the obligation, in addition to all other remedies, to enter upon the premises and effect such repairs, painting, maintenance or replacements of equipment, fixtures or signs on your behalf, and you shall pay the entire costs thereof on demand.

6.10 Working Capital. You will, at all times, maintain sufficient working capital to operate your Morelia Store and fulfill your obligations under this Agreement and will take steps to ensure the availability of capital to fulfill your obligations to maintain, remodel and modernize the premises and operations of the Morelia Store as required by this Agreement.

6.11 Compliance with Applicable Laws. You will be responsible for the operation of your Morelia Store, and will control, supervise and manage all the employees, agents and independent contractors who work for or with you. We will not have any right, obligation or responsibility to control, supervise or manage your employees, agents or independent contractors. You will comply with all applicable federal, state, city, local and municipal laws, statutes, ordinances, rules and regulations pertaining to the construction or remodeling of your Morelia Store and/or the operation of the your Morelia Store including, but not limited to: (a) health, food service and liquor licensing laws; (b) health and safety regulations and laws; (c) menu disclosure laws; (d) environmental laws; (e) employment laws (including all wage and hour laws, employment laws, workers' compensation laws, discrimination laws, sexual harassment laws, disability and discrimination laws); (f) credit card and debit card laws applicable to consumers, including all privacy laws, and (g) tax laws (including those relating to individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes, inventory taxes, personal property taxes, real estate taxes and federal, state and local income tax laws). You will, at your expense, be solely and exclusively responsible for determining the licenses and permits required by law for your Franchised Business, for obtaining, qualifying for and maintaining all licenses and permits, and for compliance with all applicable laws by your employees, management, agents and independent contractors. We make no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with the Morelia Store. It is your sole responsibility to identify and obtain all authorizations necessary to operate the Franchised Business.

6.12 Other Laws. You will comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, the Franchisee will not enter into any prohibited transactions and will properly perform any currency reporting and other activities relating to the business as may be required by us or by law. You confirm that you are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing with a person so listed. You are solely responsible for ascertaining what actions must be taken to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities in this Agreement pertain to your obligations hereunder.

6.13 Design Modifications. You will make the reasonable capital expenditures necessary to extensively remodel, modernize, redecorate and renovate (“**remodel**” or “**remodeling**”) your Morelia Store. You will bear the entire cost of changes or additions, for any changes in, or additions of, equipment, furnishings, fixtures, lighting, carpeting, painting, or taking of other actions we specify to satisfy our then-current standards for image or appearance. You agree that the requirements to remodel your Morelia Store are reasonable and necessary to maintain uniformity among all Morelia Stores. Except for repairs and maintenance as provided for herein, you will not be required to renovate your Morelia Store, or to replace and modernize its furniture, fixtures, and equipment more than once every five years from the date of this Agreement.

6.14 Compliance with Uniform Standards. You must operate the Franchised Business in strict conformity with such uniform methods, standards and specifications as we may from time to time prescribe for Morelia franchises to ensure that the highest degree of quality service is uniformly maintained. You must conduct your business in a manner that reflects favorably at all times on the System and the Marks. You shall at no time engage in deceptive, misleading or unethical practices, or conduct any other act which may have a negative impact on our reputation and goodwill or that of any other franchisee operating under the System. Pursuant to this ongoing responsibility, you agree:

1. To sell or offer for sale all menu items, products and services required by us, utilizing the method, manner and style of distribution that we prescribe in writing, in the Operations Manual or otherwise. Distribution methods may include, but are not limited to, dine-in, carry-out, and catering services, and must be expressly authorized by us in writing, in the Operations Manual or otherwise. You agree to comply with the terms of any such distribution program and, in connection therewith, to execute such documents or instruments that we may deem necessary;

2. To maintain in sufficient supply, as we may prescribe in the Operations Manual or otherwise in writing, and use at all times only such products and supplies as conform to our standards and specifications as contained in the Operations Manual, as revised and updated from time to time and to refrain from deviating therefrom without our prior written consent;

3. To sell or offer for sale only such services and products as meet our uniform standards of quality and quantity which have been expressly approved for sale in writing by us in accordance with our methods and techniques; to sell or offer for sale all approved items; to refrain from any deviation from our standards and specifications for serving or selling such services or products; and to discontinue selling and offering for sale any such services or products as we may, in our sole discretion, disapprove in writing at any time;

4. To lease or purchase and install, at your expense, all equipment, fixtures, furnishings, and signage as we may reasonably specify from time to time in the Operations Manual or otherwise in writing, and to refrain from installing or permitting to be installed on or about the Franchised Business without our prior written consent any equipment, fixtures, furnishings, signs, cards, promotional literature, or other items not previously specifically approved as meeting our standards and conforming to our specifications;

5. To purchase and maintain any and all signs and signage for use at the Franchised Business, whether for interior or exterior use, in conformity with our quality control standards and specifications; and

6. To employ such minimum number of employees as may be prescribed by us and to comply with all applicable federal, state and local laws, rules and regulations with respect to such employees. You may be required by us to ensure that all employees whose duties include customer service to have sufficient literacy and fluency in the English language (within the United States), or in such other language that is the primary or official language of that franchised location, to adequately serve the public in accordance with our standards and goals.

6.15 Modification of the System. We have the right to change or modify the System from time to time, including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and new or additional menu items, recipes, computer hardware, software, equipment, inventory, supplies or techniques. You will comply with any such changes in, or additions to, the System and will make such expenditures as such changes, additions or modification in the System may reasonably require. Any required expenditure for changes or upgrades to the System will be in addition to expenditures otherwise required pursuant to this Section 6.

6.16 Variance. We have the right, in our sole discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of a 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 Morelia Store. We will not be required to disclose or grant to you a like or similar variance hereunder.

6.17 Designated and Approved Products and Suppliers.

1. You acknowledge and agree that the reputation and goodwill of the Morelia System is based in large part on offering high quality services and products to our customers. Accordingly, you shall provide or offer for sale for use or consumption at the Franchised Business only those menu items, ingredients, food, beverages, packaging, supplies, signs, equipment and other items and services that we from time to time approve (and which are not thereafter disapproved) and that comply with our specifications and quality standards. If required by us, any such services or items shall be purchased only from "**Approved Suppliers**" that we designate or approve (which might include and/or be limited to us and/or our affiliates). Certain affiliates of ours are currently the only Approved Supplier available of certain dessert products that you are required to purchase and offer for sale (the "**Proprietary Products**"). You shall not offer for sale, sell or provide through the Franchised Business or from the site any services or products that we have not approved.

2. You shall purchase all Proprietary Products exclusively from us, our affiliates, or an Approved Supplier designated by us, and you agree that you will not obtain any competing product or substitute from any other source of supply. For certain Proprietary Products, we or our affiliate may be the only Approved Supplier for those Proprietary Products. We reserve the right to change the list of Approved Suppliers from time to time.

3. We will 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 these items and may from time-to-time issue revisions thereto. If you desire to utilize any services or products that we have not approved (for those services, products, and menu items that require supplier approval), you must first send us sufficient information, specifications and/or samples for

us to determine whether the product or service complies with our standards and specifications, or whether the supplier meets our Approved Supplier criteria.

4. You will bear all reasonable expenses incurred by us in connection with determining whether we will approve an item, service or supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease such services or items or from such supplier. Approval of a supplier may be conditioned on requirements related to the frequency of delivery, standards of service, consistency, reliability and general reputation. Nothing in this Section will 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, in our discretion, deem confidential.

5. Notwithstanding anything contrary in this Agreement, we have the right to review from time to time our approval of any items, services or suppliers. We may revoke our approval of any item, service or supplier at any time, in our sole discretion, 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 and shall promptly cease purchasing from suppliers disapproved by us.

6. We have the right to designate certain services and products, 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, in our sole discretion, from time to time to give our consent to one or more franchisees to provide certain services or products not authorized for general use as part of the System. Such consent will be based upon the factors set forth herein and will not create any rights in you to provide the same services or products.

7. We have the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. You will have no entitlement to or interest in such benefits, unless otherwise agreed to by us in writing.

8. We shall have the right to prescribe, and subsequently vary, one or more menu boards and formats to be utilized at your Morelia Store. Prescribed menu boards and formats may vary depending on market size or other factors we deem relevant. If any menu board or format ceases to be an authorized menu board and format, you shall have a reasonable period of time to discontinue use of the old menu board and begin using an authorized menu board and format.

6.18 Market Research. We may conduct market research and testing to determine consumer trends and the salability of new menu items, food products and services. You agree to participate in such market research programs as may be conducted by us, in our sole discretion, by test marketing new service or product items in the Franchised Business. You agree to provide us with timely reports and other relevant information regarding market research. You agree to purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell the products and/or services.

6.19 Inspection of Premises. You must permit us and/or our representatives to enter your Morelia Store at any reasonable time for purposes of conducting inspections, taking photographs, and interviewing employees and customers. You shall cooperate fully with us and/or our representatives in inspections by rendering assistance as they may reasonably request. You agree that you will remedy any defects, deficiencies, or unsatisfactory conditions discovered by

our personnel, no later than 48 hours after being advised of same in writing, unless the item is related to public safety, in which case the item will be required to be remedied immediately.

6.20 Proprietary Methods. You acknowledge and agree that we have developed certain services, products, operational systems and management techniques and may continue to develop additional proprietary methods and techniques and products for use in the operation of the Franchised Business which are all highly confidential and which are our trade secrets. Because of the importance of quality control, uniformity of services and products, and the significance of such Proprietary Products in the System, it is to the mutual benefit of the parties that we closely control the dissemination of this proprietary information. Accordingly, you agree that in the event such information and techniques become a part of the System, you will comply with and strictly follow these techniques in the operation of your Franchised Business and shall purchase from us or from an approved or designated source any supplies or materials necessary to protect and implement such techniques.

We are continually creating and developing special procedures, standards, and methods for operating a Morelia Store, which are incorporated in our Operations Manual. You shall ensure that your Franchised Business is developed and operated solely in accordance with our requirements and specifications as set forth in the Operations Manual, as may from time to time be made known to you.

6.21 Development of the Market. You must at all times use your best efforts to promote and increase the sales and consumer recognition of the products and services offered at the Franchised Business pursuant to the System and the Operations Manual, to effect the widest and best possible distribution of our products and services from the Franchised Business and to devote your best efforts in controlling the Franchised Business, its managers, assistants and employees.

6.22 Identification of the Morelia Store. You will operate your Morelia Store so that it is clearly identified and advertised as such. The style and form of your Morelia Store and the Marks, and any other trademarks, used in any advertising, marketing, public relations, or promotional program must have our prior written approval. You will use all approved Marks, logos, and all graphics associated with the System and the Marks on all materials in the manner we prescribe.

6.23 Gift Cards and Loyalty Programs. You will participate in all gift certificate and/or gift card administration programs as may be designated by us from time to time. You will honor all coupons, gift certificates, gift cards and other programs or promotions as directed by us. You will fully participate in all guest loyalty or frequent customer programs now or in the future adopted or approved by us.

6.24 Vending and Gaming Machines. You will not, except with our prior written permission, permit any jukeboxes, electronic games, vending machines, ATMs, newspaper racks, entertainment devices, coin- or token-operated machines, or gambling devices or kiosks to be used on the premises and will not sell or allow employees to sell any tickets, subscriptions, chances, raffles, lottery tickets or pull tabs.

6.25 Store Hours and Personnel. Your Morelia Store will be open during the hours specified in the Operations Manual. During business hours, you will have management staff on duty responsible for supervising the Store's employees and operations. You will have a sufficient number of adequately trained and competent service, kitchen and other personnel on duty to

guarantee efficient service to customers. You will require your employees to meet appearance standards and to wear the standard attire or uniforms described in the Operations Manual. **Such employees shall be employees of you and not of us.** You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire to assist in the operation of your Morelia Store. You shall use your best efforts to ensure the compliance of your managers, employees, instructors, officers, and directors with the non-competition/non-disclosure agreement and with the other requirements described in this Agreement pertaining to confidentiality. You shall ensure that your employees comply with the provisions of and shall follow the procedures as may be set forth in, the Operations Manual or any informational materials applicable to employees that may be published by us and amended or updated from time to time.

6.26 Computerized Point-of-Sale System.

1. You must, at your sole cost, purchase, use, maintain and update the computer systems (collectively, the “**Computer System**”) we specify from time to time for use in the operation of the Morelia Store, and will follow the procedures related thereto that we specify in the Operations Manual or otherwise in writing. The Computer System has various components, including (without limitation), designated computer hardware and software, a computerized point-of-sale cash register system and a high-speed Internet connection (the “**POS System**”), and related services, such as maintenance, service and support, internet access and data polling. The POS System is comprised of a minimum of an iPad, a customer service terminal, a receipt printer, and a credit card reader. Franchisees must also have a general-purpose computer with high-speed Internet access, an all-in-one color printer, scanner, fax machine and copier. You may be required to obtain some of these components and services directly from us, our affiliates or designated or approved suppliers. You may incur monthly fees for ISP, ASP, data polling services and the like.

2. You must also license from approved suppliers the software and related materials. Any changes to our POS System requirements will be made via the Operations Manual. The costs associated with installing and running POS Software are also specified in our Manual and may be modified from time to time. Any support provided in connection with such POS Software, whether by the manufacturer or otherwise, shall also be set forth in our Operations Manual. You shall implement and periodically make upgrades and other changes to the Computer System as we may reasonably request in writing. You shall comply with all specifications issued by us with respect to the Computer System, and with respect to such computer upgrades. You shall also afford us unimpeded access to your Computer System as we may request, in the manner, form, and at the times requested by us.

3. You must maintain the Computer System in good working order at all times and upgrade, update or otherwise change the Computer System during the term of this Agreement, as we require. Our modifications and specifications for components of the Computer System may require you to incur costs to purchase, lease or license new or modified computer hardware and software or to obtain service and support for the Computer System during the term of this Agreement. You agree to comply with modifications to the Computer System within 30 days after you receive notice of such modifications.

4. Your Computer System must be capable of connecting with our computer systems, performing the functions we designate for the Franchised Business, permitting us to review the results of your Franchised Business’ operations, and engaging in any e-commerce activities that we designate. You will continuously comply with each of our then-current terms of

use and privacy policies (and all other requirements) regarding the Computer System, including (but not limited to) internet use. During the operation of the Franchised Business, you will collect and maintain information about customers, including names, contact information, purchase histories, preferences, and other data (collectively, the "**Customer Lists**"). You acknowledge and agree that all Customer Lists are the sole and exclusive property of Franchisor. You must maintain the confidentiality of the Customer Lists and use them solely for purposes of operating the Franchised Business in accordance with this Agreement. Upon termination of this Agreement for any reason, Franchisee shall promptly return all Customer Lists to Franchisor and shall not retain any copies thereof. You further agree that you will not sell or use any such Morelia Customer Lists for any purpose other than in connection with the operation of your Franchised Business.

5. You acknowledge and agree that we may include financial performance information concerning your Morelia Store in our franchise disclosure document (including providing prospective franchisees with such backup documentation as may be required by law), in related media claims, to existing franchisees, and as otherwise required or permitted by law.

6. All data that you provide is and will be owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. In addition, all other data created or collected by you in connection with the System, or in connection with your operation of the Franchised Business (including but not limited to consumer and transaction data), is and will be owned exclusively by us during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and solely for your use in connection with the business franchised under this Agreement.

6.27 Credit cards. You will honor all credit, charge, courtesy and cash cards approved by us in writing. To the extent you will store, process, transmit or otherwise access or possess cardholder data in connection with the operation of your Morelia Store under this Agreement, you will maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("**PCI DSS**"), currently found at www.pcisecuritystandards.org, for the protection of cardholder data throughout the term of this Agreement. You further understand you are responsible for the security of cardholder data in the possession or control of any subcontractors it engages to perform under this Agreement. Such subcontractors must be identified to and approved by us in writing prior to sharing cardholder data with the subcontractor. Upon our request, you will provide appropriate written documentation to us to demonstrate compliance with applicable PCI DSS requirements by us and all identified subcontractors each calendar year during the term of this Agreement.

6.28 Security and Fire Monitoring System. You will utilize a sufficient security and fire monitoring system to provide notification of life and safety hazards and unauthorized access to the franchise location. Each Morelia Store must also be equipped with a video surveillance system that we will have access to.

6.29 Delivery Services. You must follow our delivery and catering policies and procedures in our Operations Manual, which may require you to provide Delivery Services and/or utilize certain third-party delivery services approved by us. You may be limited to offering Delivery Services in a non-exclusive geographic area (the "**Delivery Area**"). You acknowledge and agree that customers should be free to order from the Morelia Store location that they wish and, therefore, you are not guaranteed any specific territory, territorial rights or area for catering, online ordering or delivery services and that any Delivery Area may not be consistent in any way with the

geographic limits of the Protected Territory. We may expand, contract or eliminate any Delivery Area provided to you. We may require you to discontinue Delivery Services at any time in our sole discretion. Your failure to abide by the policies and procedures established from time to time by us in regard to Delivery Services shall be a default under this Franchise Agreement. Without limiting our rights in the event of such a default, we shall be permitted, in order to maintain acceptable guest, experience levels consistent with our then-current System standards, to temporarily or permanently suspend you from providing Delivery Services. We may permit other franchisees or third parties to provide Delivery Services in your Protected Territory or Delivery Area without compensating you for such services. You may be required to use the third-party delivery service(s) with which we have a national contract or other agreement, and you may be restricted from contracting with any other delivery providers or platform without our written approval. Our delivery and catering policies and procedures in our Operations Manual shall be subject to change at any time. You must execute all documents required by us relating to your participation in Delivery Services. You shall be responsible for all fees and charges levied by us or our affiliates or any designated third-party delivery service platform or supplier for your participation in the Delivery Services.

7. PROPRIETARY MARKS

7.1 Grant of License. We grant you a license to use the Marks in connection with the operation of your Franchised Business and the provision of authorized services and products to your customers. We represent, with respect to the Marks, that: we have, to the best of our knowledge, all right, title and interest in and to the Marks; we shall take all steps, which we deem reasonably necessary, to preserve and protect the ownership and validity of such Marks; and we will use and license you and other franchisees to use the Marks only in accordance with the System and the operating standards and quality control specifications attendant thereto which underlie the goodwill associated with and symbolized by the Marks.

7.2 Conditions for Use. With respect to your use of the Marks pursuant to the license granted under this Agreement, you agree that:

1. You must use only the Marks designated by us and shall use them only in the manner required or authorized and permitted by us.
2. You must use the Marks only in connection with the right and license to operate the Franchised Business granted under this Agreement.
3. During the term of this Agreement and any renewal of this Agreement, you must identify yourself as a licensee and not the owner of the Marks and shall make any necessary filings under state law to reflect such status. In addition, you must identify yourself as a licensee of the Marks on all invoices, order forms, receipts, business stationery and contracts, as well as at the Franchised Business on a sign that is conspicuously displayed to clients.
4. Your right to use the Marks is limited to such uses as are authorized under this Agreement or in the Operations Manual, and any unauthorized use thereof shall constitute an infringement of our rights and grounds for termination of this Agreement.
5. You may not use the Marks to incur or secure any obligation or indebtedness.
6. You may not use the Marks as part of your corporate or other legal name.

7. You must comply with our instructions in filing and maintaining the requisite trade name or fictitious name registrations and must execute any documents our counsel or we deem necessary to obtain protection for the Marks or to maintain their continued validity and enforceability.

8. In the event that you become aware of any infringement of the Marks or if your use of the Marks is challenged by a third party, then you are obligated to immediately notify us, and we will have sole discretion to take such action as we deem appropriate. You will cooperate and assist as required by us in any enforcement activities or litigation as we deem necessary to fully protect all our interests in the Marks, including any state and federal trademark and service mark registrations for the Marks, or to protect the System. If we determine that no action to protect the Marks is necessary, then you may take any action you deem necessary to protect your own interest, at your own expense.

9. We reserve the right to change, revise, or substitute different Marks and trade names for use in identifying the System and the products and services used or sold at the Franchised Business, if the Marks or trade name no longer can be used, or if we, in our sole discretion, determine that substitution of different trademarks or trade names will be beneficial to the System. In such circumstances, the use of the substituted trademarks will be governed by the terms of this Agreement. You will modify or discontinue the use of any such name or mark, within a reasonable time after receiving notice, and use such additional or substitute name or mark, and shall be responsible for the tangible costs (such as replacing signs and materials) of complying with this obligation. We will not reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditure you make to change names or marks or to promote a modified or substitute name or mark.

7.3 Acknowledgements. You expressly understand and acknowledge that:

1. We are the owners of all rights, title and interest in and to the Marks and the goodwill associated with and symbolized by them;

2. The Marks are valid and serve to identify the System and those who are licensed to operate a Morelia franchise in accordance with the System;

3. Your use of the Marks pursuant to this Agreement does not give you any ownership interest or other interest in or to the Marks, except the non-exclusive license granted in this Agreement;

4. Any and all goodwill arising from your use of the Marks and/or the System shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement no monetary amount shall be assigned as attributable to any goodwill associated with your use of the System or the Marks;

5. The license and rights to use the Marks granted by this Agreement to you are nonexclusive, and we may: (a) ourselves use, and grant franchises and licenses to others to use, the Marks and the System; (b) establish, develop and franchise other systems, different from the System licensed to you in this Agreement, without offering or providing you any rights in, to or under such other systems; and (c) modify or change, in whole or in part, any aspect of the Marks or the System, so long as your rights thereto are in no way materially harmed thereby;

6. We reserve the right to substitute different trade names, trademarks and service marks for use in identifying the System, the Franchised Business and other Morelia franchises operating thereunder, all of which shall become Marks;

7. We shall have no liability to you for any senior users that may claim rights to the Marks;

8. You shall not register or attempt to register the Marks in your name or that of any other person, firm, entity or corporation; and

9. You shall not establish a website on the Internet using any domain name or uniform resource locator containing any of the Marks or the word "Morelia" or any variation thereof without our prior written consent. We retain the sole right to advertise on the Internet and to create and maintain a website using the "Morelia" domain name. We are the sole owner of all rights, title and interest in and to such domain names as we may designate in the Operations Manual or otherwise in writing. We also have the exclusive right to manage all marketing on the Internet or other electronic medium, including all websites and "social media" marketing related to the Morelia brand.

8. CONFIDENTIAL OPERATIONS MANUAL

8.1 Compliance. In order to protect our reputation and goodwill and to maintain uniform standards of operation in connection with the Marks, you shall conduct your Franchised Business in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed in the Operations Manual and any supplemental bulletins, notices, revisions, modifications, or amendments thereto, all of which shall be deemed a part thereof. One Operations Manual shall be provided to you on loan from us while this Agreement is in effect.

8.2 Use. You agree to immediately adopt and use the programs, services, methods, standards, materials, policies and procedures set forth in the Operations Manual, amendments thereto, as we may modify them from time to time. You acknowledge that we are the owner or licensee of all proprietary rights in and to the System and the Operations Manual, and any changes or supplements thereto.

8.3 Confidentiality. You acknowledge and agree that the Operations Manual is proprietary, include trade secrets belonging to us, and are disclosed to you or authorized for your use in the operation of the Franchised Business, solely on the condition that you agree, and you therefore do agree, to treat the Operations Manual, including amendments and modifications thereto, and all of the information contained therein, as proprietary and confidential. You shall use all reasonable efforts to maintain such information as confidential. The Operations Manual must remain in a secure location on the premises of the Franchised Business at all times.

8.4 Access. The Operations Manual must be accorded maximum security consistent with your need to make frequent reference thereto. You shall strictly limit access to the Manual to employees who have a demonstrable and valid need to know the information contained therein in order to perform their duties. You must strictly follow any provisions in the Operations Manual regarding the care, storage and use of the Operations Manual and all related proprietary information.

8.5 Duplication. You shall not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce in any manner any part of the Operations Manual,

updates, supplements, amendments or related materials, in whole or in part, or otherwise make the same available to any unauthorized person.

8.6 Our Property. The Operations Manual shall at all times remain our sole property. Upon the expiration or termination of this Agreement for any reason, you shall return to us the Operations Manual and all supplements and amendments thereto.

8.7 Updates or Revisions. We have the right to prescribe additions to, deletions from or revisions to the Operations Manual, as well as amendments, which shall become binding upon you upon being mailed or otherwise delivered to you or posted; provided, however, that no such addition or modification will alter your fundamental status and rights under this Agreement.

8.8 Master Set. You shall, at all times, ensure that your set of the Operations Manual is kept current and up-to-date, and in the event of any dispute as to the contents of the Operations Manual, the terms contained in the master set of the Operations Manual maintained by us at our headquarters shall be controlling.

9. CONFIDENTIAL INFORMATION

9.1 Types of Confidential Information. We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “**Confidential Information**”) relating to the development and operation of Morelia Stores, including (without limitation):

1. Site selection criteria and development methods;
2. Training and operations materials and manuals, including, without limitation, the Operations Manual;
3. Methods, techniques, formats, specifications, procedures, information and systems related to, and knowledge of and experience in, the development, operation and franchising of Morelia Stores;
4. Market research, promotional, marketing and advertising programs for Morelia Stores;
5. Knowledge of specifications for, and suppliers of, certain products, materials, supplies, furniture, furnishings and equipment;
6. Any computer software or similar technology which is proprietary to us, our affiliates or the System, including, without limitation, digital passwords and identifications, any source code of, and data, reports and other printed materials generated by, the software or similar technology;
7. Recipes, formulas, preparation methods and serving techniques;
8. Knowledge of the operating results and financial performance of Morelia Stores, other than the Franchised Business;
9. E-commerce related data (e.g., client data, click-stream data, cookies, user data, hits and the like); and

10. Customer records of all types.

9.2 Confidential Relationship. The parties expressly understand and agree that the relationship established between you and us by this Agreement is one of confidence and trust, and that as a result, we will be disclosing and transmitting to you certain trade secrets and other Confidential Information concerning various aspects of your development of the Franchised Business, its methods of operation, techniques and all proprietary systems, procedures and materials relevant thereto, pursuant to the System and this Agreement. In addition, during the course of your development and operation of the Franchised Business, you, your employees, owners or agents may develop ideas, copyrightable works, concepts, methods, techniques or improvements (“**Improvements**”) relating to your Franchised Business, which you agree to promptly disclose to us. We will be deemed to own the Improvements, whether developed separately or in conjunction with us, and may use them and authorize you and others to use them in the operation of Morelia Stores. Improvements will then also constitute Confidential Information. In the event the foregoing provisions are held to be invalid or otherwise unenforceable, you and your owners hereby grant to us an irrevocable, worldwide, perpetual, exclusive, royalty-free license, with the right to sublicense such information, improvement or technique.

9.3 Confidentiality Obligations. You agree that your relationship with us does not vest in you any interest in the Confidential Information, other than the right to use it in the development and operation of the Franchised Business, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary, includes trade secrets belonging to us, and is disclosed to you for your use solely on the condition that you agree, and you therefore do agree, that:

1. You shall treat and maintain the Confidential Information as confidential both during the term of this Agreement and thereafter;
2. You shall use the Confidential Information only for your operation of the Franchised Business under this Agreement, and not in any other business or capacity;
3. You shall not make unauthorized copies of any portion of the Confidential Information (whether disclosed via electronic medium or in written or other intangible form), including, for example, the Operations Manual;
4. You shall disclose the Confidential Information only as necessary to your employees or agents who have a demonstrable and valid need-to-know the Confidential Information, and not to anyone else;
5. You shall advise your employees or agents of the confidential nature of such information and the requirements of nondisclosure thereof; and
6. You shall adopt and implement all reasonable procedures that we prescribe from time to time to prevent the unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure of Confidential Information to your employees and the use of nondisclosure and noncompetition agreements we may prescribe for employees or others who have access to the Confidential Information. We shall be designated a third-party beneficiary of such nondisclosure and noncompetition agreements, with the independent right to enforce such agreements.

These covenants shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon you and each of your owners.

9.4 Exceptions to Confidentiality. The restrictions on your disclosure and use of Confidential Information will not apply to the following: (a) disclosure or use of information, processes or techniques which you can demonstrate lawfully came to your attention prior to disclosure by us to you; (b) disclosure or use of information, processes or techniques which are generally known and used in the fast-casual dining industry (as long as the availability is not because of a disclosure by you); and (c) disclosure of Confidential Information in judicial or administrative proceedings when and only to the extent you are legally compelled to disclose it, provided that you have first given us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

9.5 Remedies. You acknowledge that in addition to any remedies otherwise available to us under this Agreement, you agree to pay all court costs and reasonable attorneys' fees incurred by us in obtaining specific performance of, or a temporary restraining order and/or an injunction against violation of, the requirements of this Section 9.

9.6 Communication with Customers. In order to maintain the high standards of quality control throughout the System, we reserve the right to engage in "secret shopper" type programs and use test customers from time to time, without prior notification to you, in order to determine whether your Morelia Store is maintaining high standards of quality, integrity, safety, appearance and customer service.

10. ACCOUNTING AND RECORDS

10.1 Maintenance of Books and Records. You shall maintain during the term of this Agreement and shall preserve for not less than seven years from the date of preparation full, complete and accurate books, records and accounts in accordance with the System and in the form and manner prescribed by us in the Operations Manual or otherwise in writing from time to time.

10.2 Financial and Related Reporting. During the term of this Agreement, you shall, at your expense, submit to us, on such forms that we prescribe from time to time:

1. Within 45 days of the completion of your fiscal year, an annual financial statement, which shall include an income statement and balance sheet prepared in accordance with generally accepted accounting principles;

2. Within ten days of the end of each month, a profit and loss statement for the Franchised Business for the immediately preceding month; and

3. Within 90 days of the completion of your fiscal year, copies of all federal and state tax returns.

Each annual financial statement and tax return shall be compiled by an independent certified public accounting firm and signed by you attesting that the statement is true and correct. We may require the financial statements to be prepared on a consolidated basis for each Franchised Business that you and your affiliates own. We also reserve the right to require you to submit to us certified financial statements for any period or periods of any fiscal year, which shall

be certified by your accounting firm and attested to by you. If any of the aforementioned are not timely received by us, we reserve the right to assess a Late Fee.

10.3 Other Submissions. You shall also submit to us, for review and auditing, such other forms, and other reports, including such information and data as we may reasonably designate, in the form and at the times and places reasonably required by us, upon request and as specified from time to time in the Operations Manual or otherwise in writing, at any time during the term of this Agreement. If not received timely by us, a Late Fee will be assessed pursuant to Section 5 above.

10.4 Inspection. We or our designated agents shall have the right at all reasonable times to examine and copy, at our expense, your books, records, receipts and tax returns. We shall also have the right, at any time, to have an independent audit made of your books. If an inspection should reveal that any payments to us have been understated in any report to us, then you shall immediately pay to us, upon demand, the amount understated plus interest calculated at the Default Rate on a daily basis. If any inspection discloses an understatement in any report of 2% or more, you shall, in addition to the payment of interest thereon, reimburse us for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accountants' and attorneys' fees). The foregoing remedies shall be in addition to any other remedies available to us, including termination.

11. ADVERTISING

Recognizing the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

11.1 Special Advertising and Sales Promotion Programs. We may, from time to time, develop and administer special advertising and sales promotion programs designed to promote and enhance the collective success of all Morelia Store businesses. You will have the right, but not the obligation, to participate actively in all such advertising and sales promotion programs, but only in full and complete accordance with such terms and conditions as we may establish for each such program, including, without limitation, any fees associated therewith. It is expressly understood, acknowledged, and agreed that in all aspects of such advertising and sales promotion programs, including the type, quantity, timing, placement (whether national, regional, or local), choice of media, market areas, and advertising agencies, the standards and specifications established by us will be final and binding. You acknowledge the benefits of such advertising and promotional programs.

11.2 Local Advertising. We require that you spend 1% of the Net Sales of your Morelia Store each month on local advertising and promotion of the Franchised Business. Within 30 days following the end of each calendar year, you will furnish us a marketing report in the form and substance we specify, including evidence to verify such expenditure. Incomplete reports will not be accepted. The costs and expenditures incurred by you in connection with any of the following will **not** be considered or included in your expenditures on Local Advertising for purposes of this Section: (a) Incentive programs for your employees or agents, including the cost of honoring any coupons distributed in connection with such programs; (b) Research expenditures; (c) Non-marketing costs incurred in any promotion; (d) Salaries and expenses of any of your employees, including salaries or expenses for attendance at advertising meetings or activities; (e) Charitable, political, or other contributions or donations; (f) Press parties or other expenses of publicity; (g) In-store materials consisting of fixtures or equipment; (h) Seminar and educational costs and

expenses of your employees; and (i) Specialty items such as tee shirts, premiums, pins, and awards, unless such items are part of a market-wide advertising program and then only to the extent that the cost of such items is not recovered by the promotion.

11.3. Grand Opening Advertising. You must spend at least \$5,000 on a grand opening marketing program for your Franchised Business during the 30 days prior to opening and first 60 days of operations. The grand opening program must use marketing, advertising and public relations programs, media and materials that we develop or approve, and is in addition to your other marketing and advertising requirements under the Franchise Agreement. We may, at our option, require you to submit expenditure reports to us detailing your grand opening marketing expenditure.

11.4 Approval of Advertising Materials. All advertising and promotion in any manner or medium will be conducted in a dignified manner and will conform to such standards and requirements as we specify. You will submit to us (through the mail, return receipt requested or via electronic communication), for our prior approval at least 15 days before its intended use (except with respect to prices to be charged), samples of all advertising and promotional plans and materials that you desire to use and which have not been prepared or previously approved by us, including, without limitation, business cards, stationary, T-shirts, buttons, caps, and similar items. If written approval thereof is not received within 15 days after the date of our receipt of such samples or materials, we will be deemed to have disapproved the advertising and promotional materials. We may require that you purchase certain advertising and promotional merchandise from suppliers who have been approved by us and who have entered into our standard license agreement, which shall provide, among other things, for the payment of royalties to us.

You may not, without our express prior written consent, distribute, display, market or promote in connection with any advertising, promotion or marketing of the Franchised Business, any third party's goods or services, including any unauthorized co-promotions. You shall comply with all revisions to such advertising, promotional and marketing materials which we may require prior to approving such materials. You shall not use any advertising, marketing or promotional plans or materials, which have not been approved in writing by us, and you shall cease to use any plans or materials promptly upon notice by us. Your failure to obtain our prior written approval for all proposed advertising, marketing and promotion shall be deemed a material event of default under this Agreement.

Even if we have approved specified materials, we may later withdraw our approval if we reasonably believe it necessary to make the advertising conform to changes in the System or to correct unacceptable features of the advertising, including but not limited to any misrepresentation in the advertising material. In the event we withdraw our approval of previously approved marketing, advertising or promotional materials, you must immediately discontinue use of any such materials upon receiving notice from us that we have withdrawn our approval of the materials, and you must return any existing copies of the materials to us, at your expense, within 15 days of such written notice.

11.5 Internet Advertising. You are prohibited from establishing a website that is separate and independent from our website. You can, however, establish a presence on the following Internet social networking sites: Facebook, Twitter, and Instagram, and other social media websites. Content published on any of these social networking sites must be pre-approved by us in writing and must also meet our then-current social media policy. Upon the establishment or presence on any of these social networking sites, you must give us access as a co-administrator on any of these accounts.

We have an Internet website at the uniform resource locator www.paletasmorelia.com that provides information about the Morelia System and Morelia franchises. We may provide you with a page on our home page, where we will disclose the contact information and pricing of your Morelia Store location. All information posted on our Morelia website or any linked web pages 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. You are not permitted to use a domain name containing "Morelia" in the URL.

11.6 Marketing and Advertising Program. We impose an advertising and promotion obligation to advertise franchised Morelia franchises, as well as Affiliate-Owned Units, in an amount equal to 3% of your Net Sales each month (the "**Marketing Fee**") and is payable at the same time and in the same manner as Royalty Fee payments. We (or our designee) will maintain and administer the MF Account in the following manner:

1. We will direct all programs financed by the MF Account, with sole discretion over the creative concepts and materials. The MF Account may periodically furnish you with samples of marketing, brand building and promotional formats and materials, which you may use during the term of your Franchise Agreement. We will direct all advertising programs and will have sole discretion to approve the creative concepts, materials, and media used in the advertising programs and their placement and allocation. The MF Account is intended to maximize general public recognition and acceptance of the Marks and improve the collective success of all Morelia franchises and Affiliate-Owned Units.

2. In administering the MF Account, we and our designees are not required to make expenditures for you that are equivalent or proportionate to your contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising. The MF Account may be used to satisfy the costs of maintaining, administering, directing, creating, and producing advertising. This includes the cost of preparing and conducting television, internet, radio, magazine, and newspaper advertising campaigns; direct mail; public relations activities; employing advertising agencies; and providing other advertising materials to Morelia franchises and Affiliate-Owned Units. We have not created a separate account for Marketing Fee contributions, but we will track all MF Account contributions and expenditures and account for them separately from our other funds, and we will not use them to defray any of our general operating expenses, except for reasonable administrative costs and overhead that we may incur in the administration of the advertising programs for Morelia franchises and Affiliate-Owned Units. Each Morelia Store operated by us or our affiliates will contribute Marketing Fees at the same rate as franchisees. The MF Account and its earnings will not otherwise benefit us. The MF Account will be operated solely as a conduit for collecting and expending the advertising fees as outlined above.

3. We will prepare an annual statement of the MF Account's operations that will be made available to you on request. We are not required to have this statement audited. Although the MF Account is intended to be perpetual, we may terminate it but will not do so, however, until all monies have been spent for advertising or promotional purposes or returned to contributors on a basis determined by us in our sole discretion. We expect to advertise Morelia franchises and Affiliate-Owned Units and the services they offer in various media, including television, internet, radio, magazine and newspaper advertising campaigns, and direct mail. We

may use outside advertising agencies. Advertising may be conducted on a national, regional, and local basis.

4. The MF Account is not a trust fund. We will not have any fiduciary duty to any franchisee in connection with the collections or expenditures of the MF Account monies or any other aspect of the its monies. We are under no obligation to ensure that expenditure of the Marketing Fees is or will be proportionate or equivalent to contributions of Marketing Fees by Morelia Stores operating in any geographic area or that any Morelia Store will benefit directly or in proportion to the amount of Marketing Fees it has paid.

5. Although the MF Account may not be used to directly solicit the sales of franchises, as a result of such advertising and promotions, people may become interested in owning franchises. The development of marketing campaigns and websites may also detail available franchises within the System, and this is not considered to constitute direct marketing efforts.

6. We assume no fiduciary duty in administering the MF Account.

11.7 Advertising Advisory Council. We may form an Advertising Advisory Council (the “**Council**”). The Council members will be Morelia franchisees. The Council shall serve in an advisory capacity only, advising us on operations, marketing and other subjects. We have the authority to dissolve, change and reform the Council at our discretion.

11.8 Local Advertising Cooperative. We are not presently involved in any advertising cooperatives; however, we reserve the right to create advertising cooperatives in the future. We have the right to allocate any portion of the MF Account to the Cooperative Advertising program and collect and designate all or a portion of the Local Advertising for a Cooperative Advertising program. We have the right to determine the composition of all geographic territories and market areas for the implementation of Cooperative Advertising and to require that you participate in the Cooperative Advertising program when established. If a Cooperative Advertising program is implemented on behalf of a particular region, we reserve the right to enable the cooperative to self-administer the Cooperative Advertising program, and you will participate in the cooperative according to the cooperative’s then-current rules and procedures and to abide by the cooperative’s then-current decisions.

12. INSURANCE

12.1 Procurement. You shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement, at your sole expense, listing us as an additional insured: (a) an insurance policy or policies protecting you and us, and each of our officers, directors, partners and employees, against any loss, liability, personal injury, death, property damage or expense whatsoever from fire, lightning, theft, vandalism, malicious mischief and the perils included in the extended coverage endorsement, arising out of or occurring upon or in connection with the Franchised Business or the construction of or leasehold improvements made to the Franchised Business, or by reason of the operation or occupancy of the Franchised Business; (b) as well as such other insurance applicable to such other special risks, if any, as we may reasonably require for our own and your protection; and (c) you shall be obligated to procure such insurance and to submit copies of such policies to us 30 days prior to the opening to the public of the Franchised Business.

12.2 Minimum Coverage. Such policy or policies shall be written by an insurance company satisfactory to us in accordance with the standards and specifications set forth in the Operations Manual or otherwise in writing, and shall include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified from time to time by us in the Operations Manual or otherwise in writing) the following:

1. Comprehensive general liability insurance, including contractual liability, broad form property damage, premises liability, personal injury, advertising injury, product liability, automobile liability, employee liability, completed operations and independent contractors' coverage, and fire damage coverage in the amount of \$1,000,000 per occurrence, with \$2,000,000 aggregate coverage (or such higher amount as required by the lease for the premises);
2. Worker's compensation and employer's liability insurance, as well as such other insurance as may be required by applicable law;
3. Fire, vandalism and extended coverage insurance with primary and excess limits of at least the full replacement value of the Franchised Business and its furniture, fixtures and equipment;
4. Business interruption and extra expense insurance for a minimum of 12 months to cover net profits and continuing expenses, including royalty fees;
5. Employment practices liability insurance;
6. All other insurance required by the state or locality in which the Franchised Business is operated in such amounts as required by statute and
7. Any other insurance coverage as we may reasonably require.

12.3 Construction Coverage. In connection with any construction, leasehold improvements, renovation, refurbishment or remodeling of the premises of the Franchised Business, you shall cause the general contractor to maintain with a reputable insurer comprehensive general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability and independent contractors coverage) in at least the amount of \$1,000,000 with us named as an additional insured, and worker's compensation and employer's liability insurance as required by state law. A copy of the Certificate of Insurance for worker's compensation coverage shall be provided to us.

12.4 Notwithstanding, you must procure, before the commencement of the initial training program, statutory worker's compensation insurance covering all participants in the training program. We will have the right to obtain, directly from your insurance carriers, any and all information relating to the foregoing policy or policies and any claims thereunder. Upon our request, you will execute, acknowledge, and deliver such instruments, and do such further acts, as may we require to enable us to obtain such information.

12.5 Certificates. At least 30 days prior to the grand opening of the Franchised Business and on each policy renewal date thereafter, you shall submit to us, original or duplicate copies of all policies and policy amendments. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least 30 days prior written notice to us.

12.6 Independence of Coverage Requirements. Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us, and your performance of that obligation shall not relieve you of liability under the indemnity provision set forth herein. Any and all policies must provide that your failure as Franchisee to comply with the Franchise Agreement or any other conduct, will not void or otherwise affect the protection afforded to us, as Franchisor.

12.7 Failure to Procure. Should you for any reason fail to procure or maintain the insurance required by this Agreement, as revised from time to time for all franchisees by the Operations Manual or otherwise in writing, we shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge the same to us, which charges, together with a reasonable fee for our expenses in so acting, including, but not limited to, attorneys' fees, shall be payable by you immediately upon notice. You must also promptly provide us with written notice if there is any lapse in change of your coverage.

12.8 Third Parties. You shall ensure that all third parties with which you conduct business are properly insured.

12.9 Proceeds. You agree to look solely to the proceeds of such insurance policies as required herein for reimbursement of any loss, and neither you nor any insurance carrier may recover damages against us as Franchisor.

13. TRANSFER OF INTEREST

13.1 Transfer by Us. We shall have the right to assign this Agreement, and all of our rights and privileges under this Agreement, to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (a) the assignee shall, at the time of such assignment, be capable of performing our obligations under this Agreement; and (b) the assignee shall expressly assume and agree to perform such obligations.

Specifically, and without limitation to the foregoing, you expressly affirm and agree that we may sell our assets, our rights to the Marks and the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and, with regard to any or all of the foregoing sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of "LEFAB Franchisor, LLC" as the Franchisor under this Agreement.

Nothing contained in this Agreement shall require us to remain in this frozen dessert industry or to offer the same or related products and services, whether or not bearing our Marks, in the event that we exercise our rights under this Agreement to assign our rights in this Agreement.

13.2 Transfer by You and Your Owners.

1. Neither you nor any of your owners, nor any of your or their permitted successors or assigns, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement, in the

Franchised Business, or in you without our prior written consent; provided, however, that our prior written consent shall not be required for a transfer of less than a 5% interest in a publicly-held corporation. For such purposes, and under this Agreement in general, a publicly held corporation is a “**Reporting Company**” as that term is defined by the Securities Exchange Act of 1934. “You” is defined as either you, any immediate or remote successor to any part of your interest in the Franchised Business, any individual, partnership, corporation or other legal entity which directly or indirectly controls you, if you are a business entity, or any, or any general partner or any limited partner (including any corporation which controls, directly or indirectly, any general or limited partner) if you are a partnership. You must notify us in writing at least 60 days prior to the date of the intended assignment. Any purported assignment or transfer, by operation of law or otherwise, not having our prior written consent shall be null and void and shall constitute a material breach of this Agreement, for which we may then terminate without opportunity to cure pursuant this Agreement.

2. If you (and your owners) are in full compliance with this Agreement, then, subject to the other provisions of this Section 13, we will not unreasonably withhold our consent to a transfer that meets all requirements of this Section. A non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur) may be transferred if the proposed transferee and its direct and indirect owners are of good character and meet our then applicable standards for Morelia franchise owners (including no ownership interests in, or performance of services for, a Competitive Business). If the proposed transfer is of this Agreement or a controlling ownership interest in you or one of your owners, or is one of a series of transfers (regardless of the time period over which these transfers take place) which, in the aggregate, transfer this Agreement or a controlling ownership interest in you or one of your owners, then we may, in our sole discretion, require any or all of the following as conditions of our approval:

a. All your accrued monetary obligations and all other outstanding obligations to us, our subsidiaries, affiliates and suppliers, shall be up to date, fully paid and satisfied;

b. You shall not be in default of any provision of this Agreement, any amendment of this Agreement or successor to this Agreement, any other franchise agreement or other agreement between you and us, or our subsidiaries, affiliates or suppliers;

c. You and each of your partners, shareholders, officers and directors shall have executed a general release under seal, in a form satisfactory to us, of any and all claims against us and our officers, directors, shareholders and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

d. The transferee shall demonstrate to our satisfaction that the transferee meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related experience, our testing criteria or otherwise); has at least the same managerial and financial criteria required of new franchisees; and shall have sufficient equity capital to operate the Franchised Business;

e. The transferee shall enter into a written assignment, under seal and in a form satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement. If the transferee is not an individual, then the shareholders, partners or other owners

of the transferee shall jointly and severally guarantee your obligations under this Agreement in writing in a form satisfactory to us;

f. At our option, the transferee shall execute (and/or, upon our request, shall cause all interested parties to execute) for a term ending on the expiration date of this Agreement and with such renewal term as may be provided by this Agreement, the standard form of Franchise Agreement then being offered to new franchisees and such other ancillary agreements as we may require for the Franchised Business, which agreements shall supersede this Agreement in all respects and the terms of which agreements may differ materially from the terms of this Agreement, including, without limitation, a higher percentage royalty fee and advertising contributions and the implementation of other fees;

g. The transferee shall upgrade, at the transferee's expense, the Franchised Business to conform to the then current specifications being used in new Morelia Stores, and shall complete the upgrading and other requirements within the time specified by us;

h. You (and your owners) shall remain liable for all direct and indirect obligations to us in connection with the Franchised Business prior to the effective date of the transfer, shall continue to remain responsible for your and their obligations of nondisclosure, noncompetition and indemnification as provided elsewhere in this Agreement, and shall execute any and all instruments reasonably requested by us to further evidence such liability;

i. At the transferee's expense, the transferee and its employees shall complete any training programs then in effect for current franchisees upon such terms and conditions as we may reasonably require unless we have previously trained such employees;

j. The transferee shall have signed an acknowledgement of receipt of all required legal documents, such as the Franchise Disclosure Document and the then current Franchise Agreement and ancillary agreements;

k. The transferor shall pay to us a Transfer Fee equal to \$15,000; and

l. The transferor must provide us with a copy of the agreements of purchase and sale between the transferor and the transferee. The terms and price of the proposed transaction between the transferor and a transferee shall be fair and reasonable in our sole discretion and based upon our good faith judgment. You acknowledge that this right of approval shall not create any special liability or duty on our part to the transferor or the proposed transferee.

3. You may not grant a security interest in the Franchised Business or in any of its assets unless the secured party agrees that in the event of any default by you under any documents related to the security interest, we shall have the right and option to be substituted as obligor to the secured party and to cure your default. Notwithstanding the foregoing, we shall not be construed as a guarantor or surety for you.

4. You acknowledge and agree that each of the foregoing conditions of transfer which must be met by you and the transferee are necessary and reasonable to assure such transferee's full performance of the obligations under this Agreement.

5. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you and are granted in reliance upon the individual or collective character, skill, aptitude, and business and financial capacity of you and/or your owners. You

have represented to us that you are entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of your rights and obligations under this Agreement.

6. You understand and acknowledge that any sale or assignment of your interest, right or license under this Agreement must be to an approved transferee who will assume the status of a Morelia franchisee, and you will notify the proposed transferee of your responsibilities and obligations under this Franchise Agreement, including, but not limited to, protection of the Marks and the System.

13.3 Transfer for Convenience of Ownership. If the proposed transfer is to a corporation or limited liability company formed solely for the convenience of ownership, our consent to such transfer may, in our sole discretion, be conditioned on the following requirements:

1. You and all other owners (if you are more than one individual) will be required to personally, jointly and severally, guarantee your full performance under this Agreement;

2. The corporation, limited liability company or other business entity shall be newly organized, and its charter, bylaws and other organizational documents shall provide that its activities are confined exclusively to operating the business contemplated under this Agreement;

3. You must maintain management control and own a majority or controlling interest in the corporation or limited liability company;

4. The transferee corporation or limited liability company must expressly assume all your obligations under this Agreement;

5. Each of your corporate stock certificates or other evidence of ownership shall have conspicuously endorsed upon its face 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 or assignments by this Agreement; and

6. Copies of the articles of incorporation, bylaws or other governing documents of the corporation or limited liability company, including resolutions of the board of directors authorizing entry into this Agreement, shall be furnished to us.

Transfers of ownership interests in the corporation or limited liability company will be subject to Section 13.2 above. You agree to remain personally liable under this Agreement as if the transfer to the corporation or limited liability company did not occur.

13.4 Our Right of First Refusal

1. Any party who holds an interest (as we reasonably determine) in you or in the Franchised Business and who desires to accept any bona fide offer from a third party to purchase his interest shall notify us in writing of each such offer and, except as otherwise provided in this Agreement, we shall have the right and option, exercisable within 30 days after receipt of such written notification, to send written notice to the seller that we intend to purchase the seller's interest on the same terms and conditions offered by the third party less any amount of the purchase price attributable to fees payable to brokers or intermediaries, the Marks or the System.

Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by us as in the case of an initial offer. In the event that we elect to purchase the seller's interest, closing on such purchase must occur by the later of the closing date specified in the third party offer or within 30 days from the date of notice to the seller of our election to purchase. Our right to exercise the option afforded by this Section 13.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 13 with respect to a proposed transfer.

2. In the event the consideration, terms and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms and/or conditions, then we may purchase the Franchised Business proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree, within a reasonable time, on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by a third party, then the reasonable equivalent will be determined by three independent appraisers who collectively will conduct one appraisal. We will appoint one appraiser, you will appoint one appraiser, and the two party-appointed appraisers will appoint the third appraiser. You and we agree to select our respective appraisers within 15 days after we notify you that we are exercising our right of first refusal, and the two appraisers so chosen are obligated to appoint the third appraiser within 15 days after the date on which the last of the two party-appointed appraisers was appointed. You and we will bear the cost of our own appraisers and share equally the fees and expenses of the third appraiser chosen by the two party-appointed appraisers. The appraisers are obligated to complete their appraisal within 30 days after the third appraiser's appointment.

13.5 Transfer Upon Death or Mental Incapacity. Upon the death, mental incapacity or disability of you (if you are a natural person) or that of any owner who is a natural person, we shall consent to the transfer of said interest in you, the Franchised Business or this Agreement to the spouse, heirs or relative by blood or by marriage, of you or said owner, whether such transfer is made by will or by operation of law, if, in our sole discretion and judgment, such person or persons meet our educational, managerial and business standards; possess a good moral character, business reputation and credit rating; have the aptitude and ability to conduct the Franchised Business; have at least the same managerial and financial criteria required by new franchisees and have sufficient equity capital to operate the Franchised Business. If said transfer is not approved by us, the executor, administrator or personal representative of such person shall transfer his or her interest to a third party approved by us within six months after such death, mental incapacity or disability. Such transfer shall be subject to our right of first refusal and to the same conditions as any inter vivos transfer.

13.6 Effect of Consent to Transfer. Our consent to a transfer of this Agreement and the Franchised Business or any interest in you (if you are a legal entity) does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Franchised Business or the transferee, or a waiver of any claims we may have against you (or your owners) or of our right to demand exact compliance with any of the terms or conditions of this Agreement or any other agreement by any transferor or transferee.

13.7 Operation of the Franchised Business by Us. In order to prevent any interruption of the business of the Franchised Business and any injury to the goodwill and reputation thereof which would cause harm to the Franchised Business and thereby depreciate the value thereof, you authorize us, and we shall have the right, but not the obligation, to operate said Franchised Business for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement, in the event that: (a) any of your

owners is absent or incapacitated by reason of illness or death and that you are not, therefore, in our sole judgment, able to do the business licensed under this Agreement; or (b) any allegation or claim is made against the Franchised Business, you or any of your principals, directors, shareholders, members, partners or employees, involving or relating to misrepresentations or any fraudulent or deceptive practice. In the event that we operate the Franchised Business, we at our option shall not be obligated to operate it for a period of more than 90 days. All revenues from the operation of the Franchised Business during such period of operation by us shall be kept in a separate account and the expenses of the Franchised Business, including royalty fees, Marketing Fees and contributions, as well as expenses for our representative, shall be charged to said account. We also reserve the right to collect a Management Fee from you in an amount of 10% of the Net Sales for the period in which we operate the Franchised Business plus expenses. If, as provided in this Section, we elect to temporarily operate the Franchised Business on your behalf, you agree to indemnify and hold us harmless from any and all claims arising from the acts and omissions of our representatives and us.

14. DEFAULT AND TERMINATION

14.1 Default With No Opportunity To Cure. You shall be deemed to be in default, and we may, at our option, terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon receipt of notice from us to you, upon the occurrence of any of the following events:

1. If you fail, refuse or neglect to pay promptly any monies owing to us or our subsidiaries or affiliates or suppliers, including any amounts due under any promissory note you execute in our favor, within ten days of your receipt of notice that such monies are past due, or you fail to submit the financial information or other reports required by us under this Agreement;

2. If you become insolvent or make a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by you or such a petition is filed against and consented to by you, or if you are adjudicated as bankrupt, or if a bill in equity or other proceeding for the appointment of a receiver or other custodian (permanent or temporary) of your business or assets is appointed by any court of competent jurisdiction, or if proceedings for a conference with a committee of creditors under any state, federal or foreign law should be instituted by or against you, or if a final judgment remains unsatisfied or of record for 30 days or longer (unless supersedeas bond is filed), or if execution is levied against your operating location or property, or suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days, or if any substantial real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal or constable;

3. If you fail to locate an approved site for the Franchised Business within three months from the Effective Date of this Agreement, unless otherwise agreed to in writing by us;

4. If you fail to open the Franchised Business for business within nine months from the Effective Date of this Agreement, unless otherwise agreed to by us;

5. If you abandon the Franchised Business or cease to do business at the Franchised Business for three or more consecutive days, excluding holidays, or lose the right to possession of the premises upon which the Franchised Business is located or otherwise forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located; provided, however, that if any such loss of possession results from the governmental exercise of

the power of eminent domain, or if, through no fault of yours, the premises are damaged or destroyed by an event of Force Majeure (as defined herein), such that they cannot, in our judgment, reasonably be restored within 120 days, then, in either such event, you shall have 60 days to identify an alternative location for the operation of the Franchised Business (the "**Substituted Site**") and submit all information reasonably requested by us in connection with the Substituted Site for our review and approval. Our approval of the Substituted Site shall not be unreasonably withheld but may be conditioned upon the payment of an agreed minimum royalty fee to us during the period in which the Franchised Business is not in operation. Notwithstanding the foregoing, we shall have a right to terminate this Agreement if you are not in possession of the Substituted Site and open for business to the general public within five months of your receipt of our approval of the Substituted Site;

6. If you fail to operate and maintain the computerized POS System or other computer systems in accordance with our requirements and guidelines as outlined in the Operations Manual, or if you attempt to modify the POS System or other computer systems without our prior written approval;

7. If you understate by 2% or more your Gross Revenues in connection with any report required to be submitted to us;

8. If you (or any of your owners) have made any material misrepresentation or omission in this Agreement or any other agreement to which you are a party with us;

9. If you (or any of your owners) in our determination (a) repeatedly engage in the excessive use of alcohol and/or abuse of drugs; or (b) engage in any one or more incidence of violence or abusive behavior within your Franchised Business jeopardizing the health, safety or welfare of employees or the public.

10. If you, by act or omission, permit a continued violation in connection with the operation of the Franchised Business of any law, ordinance, rule or regulation of a governmental agency, including, but not limited to, a violation of the Anti-Terrorism Laws, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief therefrom;

11. If you fail to obtain and maintain all required licenses under state and local law for the establishment and operation of the Franchised Business;

12. If you misuse or make any unauthorized use of the Marks, engage in any business or market any service or products under a name or mark which is confusingly similar to the Marks, or otherwise materially impair the goodwill associated therewith or our rights therein;

13. If a threat or danger to public health, safety or welfare results from the construction, maintenance or operation of the Franchised Business;

14. If you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest, or guilty, to, a felony or other serious crime or offense that we reasonably believe is likely to have an adverse effect on the System, the Marks, the goodwill associated therewith or our interest therein;

15. If a judgment or a consent decree against you, or any of your officers, directors, shareholders or partners is entered in any case or proceeding involving allegations of

fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, the Marks, the goodwill associated therewith or our interest therein;

16. If you (or any of your owners) purport to transfer any rights or obligations under this Agreement to any third party without our prior written consent, contrary to any of the terms of this Agreement;

17. If you (or any of your owners) fail to comply with any of the restrictive covenants contained in this Agreement;

18. If you (or any of your owners) disclose or divulge the contents of the Operations Manual or any other trade secrets or Confidential Information provided to you by us, except as otherwise expressly permitted by this Agreement;

19. If you knowingly maintain false books or records, or submit any false statements, applications or reports to us or any assignee of ours;

20. If you willfully and repeatedly engage in a course of conduct which constitutes a misrepresentation or a deceptive or unlawful act or practice in connection with your sale of the services and products offered at the Franchised Business;

21. If you fail to strictly comply with our product and quality control standards and specifications, fail to have any suppliers approved by us as required by this Agreement, or otherwise fail to meet any other significant specifications or guidelines set forth in the Operations Manual and do not cure such failure within ten days after you receive written notice from us;

22. If any other franchise agreement issued to you by us is terminated for any reason;

23. If you receive three or more notices of default under this Agreement during the term of this Agreement, whether or not such defaults are cured after notice;

24. If you (or any of your owners) engage in any illegal, immoral or unethical acts or any act in violation of our mission and values, as determined by us;

25. If you default under your lease agreement for the premises on which the Franchised Business is located, or under any other agreement to which you are party with us, or any parent or subsidiary corporation or any other affiliated entity of ours, and fail to cure said default within the grace period (if any) provided for in such agreement, regardless of whether we in fact terminate such agreement;

26. If you relocate the Franchised Business without obtaining our prior written approval;

27. If your entering into this Agreement or operating thereunder violates or breaches any confidentiality or non-competition agreement previously existing between you and others prior to your entry of this Agreement;

28. If you fail to maintain at all times a qualified Operating Principal meeting the requirements contained herein; or

29. If your (or any of your owners') assets, property or interests are blocked under any Anti-Terrorism Laws, or you (or any of your owners) otherwise violate any such law, ordinance or regulation.

14.2 Default With 30 Day Opportunity To Cure. Except as otherwise provided in Section 14.1 of this Agreement, you shall have 30 days after receiving from us a written notice of default within which to remedy any other default under this Agreement. If any such default is not cured within that time, or such longer period as applicable law may require, this Agreement, at our option, shall terminate without further notice to you effective immediately upon the expiration of the 30-day period or such longer period as applicable law may require. You shall be in default under this Agreement for any failure to comply substantially with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by updates to the Operations Manual, or for any failure to carry out the terms of this Agreement in good faith. Such defaults shall include, without limitation, the occurrence of any of the following events:

1. If you fail to maintain any of the standards or procedures prescribed by us in this Agreement, the Operations Manual, or any part thereof, any other franchise agreement between you and us, or any other written agreements between you and us or otherwise;

2. If you fail to comply with your duties set forth in Section 6 of this Agreement or to perform any obligation owing to us or to observe any covenant or agreement made by you, whether such obligation, covenant or agreement is set forth in this Agreement or in any other agreement with us including, but not limited to, any other franchise agreement by and between you and us or any entity related to us;

3. If you fail to adequately promote the Franchised Business as provided in the Operations Manual or otherwise in writing;

4. If you fail to maintain and timely submit to us any (a) reports required pursuant to this Agreement, including, but not limited to, financial statements, weekly, monthly and other reports of Net Sales and copies of tax returns; or (b) any reports, compliance items or other documentary items referenced in this Agreement, in the Operations Manual as updated and revised or otherwise, as we may designate from time to time;

5. If you fail to maintain our quality control standards with respect to your use of signage and other uses of the Marks;

6. If you fail to attend and successfully complete any mandatory training program, convention, telephone conference call, or other mandatory event, unless attendance is excused or waived, in writing, by us; or

7. If you fail to obtain our prior written approval of any and all advertising, marketing or promotional plans and materials in whatever form used by you in connection with your promotion of the Franchised Business or otherwise fail to comply with our policies and procedures with respect to advertising, marketing or promotion.

14.3 24-Hour Cure Period. A 24-hour cure period shall apply to the violation of any law, regulation, order or standard relating to health, sanitation or safety.

14.4 Cure on Demand. You shall cure on demand all “hazardous situations” and remove and destroy on demand all “hazardous products” and shall cure any situation which poses an imminent risk to public health and safety.

14.5 No Right or Remedy. No right or remedy conferred upon or reserved to us by this Agreement is exclusive of any other right or remedy provided or permitted by law or equity.

14.6 Default and Termination. The events of default and grounds for termination described in this Section 14 shall be in addition to any other grounds for termination contained elsewhere in this Agreement or otherwise.

14.7 Right to Purchase. Upon the expiration or termination of this Franchise Agreement for any reason, we will have the right but not the obligation to purchase from you some or all of the assets used in the Franchised Business (“**Acquired Assets**”). We may exercise our option to begin this process by giving written notice to you at any time following expiration or termination up until 30 days after the later of: (a) the effective date of expiration or termination; or (b) the date you cease operating the Franchised Business (the “**Specified Date**”). We have the right to inspect the assets used in the Franchised Business in order to determine which we wish to acquire and any refusal by you to cooperate with our right to inspect will extend the Specified Date by an equal period. The term “Acquired Assets” means, without limitation, equipment, furnishings, fixtures, signs and inventory (non-perishable products, materials and supplies) used in the Franchised Business, all licenses necessary to operate the Franchised Business (if transferable) and the real estate fee simple or the lease or sublease for the premises from which you operate the Franchised Business. Customer information and Customer Lists are owned by us and accordingly are not included within the definition of “Acquired Assets” and must be returned to us without charge upon expiration or termination. You may not sell the information or lists to a third party. We will be entitled to have the provisions in this Section enforced by a court of competent jurisdiction should you fail to meet your obligations. We will have the unrestricted right to assign this option to purchase the Acquired Assets. We or our assignee will be entitled to all customary representations and warranties, including that the Acquired Assets are free and clear (or, if not, accurate and complete disclosure) as to: (1) ownership, condition and title; (2) liens and encumbrances; (3) environmental and hazardous substances; and (4) validity of contracts and liabilities inuring to us or affecting the Acquired Assets, whether contingent or otherwise.

The purchase price for the Acquired Assets (“**Purchase Price**”) will be their fair market value (or, for leased assets, the fair market value of the lease), determined as of the Specified Date in a manner that accounts for reasonable depreciation and condition of the Acquired Assets; provided, however, that the Purchase Price will take into account the termination of this Franchise Agreement. The Purchase Price for the Acquired Assets will not factor in the value of any trademark, service mark, or other commercial symbol used in connection with the operation of the Franchised Business, nor any goodwill or “going concern” value for the Franchised Business. We may exclude from the Acquired Assets purchased in accordance with this Section any equipment, furnishings, fixtures, signs, and inventory that are not accepted as meeting then-current standards for a Franchised Business or for which you cannot deliver a Bill of Sale in a form satisfactory to us.

If you and we cannot agree upon a fair market value, we shall appoint an independent, third-party appraiser with experience appraising businesses comparable to your Franchised Business in the United States (“**Qualified Appraiser**”) within 30 days after the Specified Date. We shall pay for fifty percent (50%) of the cost of this Qualified Appraiser, and you shall pay the other fifty percent (50%) of the cost.

The Qualified Appraiser shall appraise the Acquired Assets as described above ("**Appraised Value**"). If you agree with the Appraised Value, the Appraised Value shall be the Purchase Price. If you disagree with the Appraised Value, upon written notice, you may hire an additional Qualified Appraiser at your expense. In such situation, the Qualified Appraiser chosen by you shall appraise the Acquired Assets at fair market value determined as described above. The average of the two values provided by the Qualified Appraisers shall be the Purchase Price.

The Qualified Appraiser will be given full access to the Franchised Business and your books and records during customary business hours to conduct the appraisal and will value the leasehold improvements, equipment, furnishings, fixtures, signs and inventory in accordance with the standards of this Section.

Within 10 days after the Purchase Price has been determined, we may fully exercise our option to purchase the Acquired Assets by notifying you of our decision in writing ("**Purchase Notice**"). The Purchase Price will be paid in cash or cash equivalents at the closing of the purchase ("**Closing**"), which will take place no later than 60 days after the date of the Purchase Notice. From the date of the Purchase Notice until Closing, you will operate the Franchised Business and maintain the Acquired Assets in the usual and ordinary course of business and maintain in full force all insurance policies required under this Franchise Agreement. During such time, we may exercise Step-in Rights and be entitled to the Management Fee. Alternatively, we may require you to close the Franchised Business during that time period without removing any Acquired Assets from the Franchised Business.

For a period of 30 days after the date of the Purchase Notice ("**Due Diligence Period**"), we will have the right to conduct such investigations as we deem necessary and appropriate. You will grant us and our representatives access to the Franchised Business at all reasonable times for the purpose of conducting inspections of the Acquired Assets; provided that such access does not unreasonably interfere with your operations of the Franchised Business.

Prior to the end of the Due Diligence Period, we will notify you in writing of any objections that we have to any finding disclosed in any title to lien search, survey, environmental assessment or inspection. If you cannot or elect not to correct any such title defect, environmental objection or defect in the working condition of the Fixed Assets, we will have the option to either accept the condition of the Acquired Assets as they exist or rescind our option to purchase on or before the Closing.

We will have the right to set off against and reduce the Purchase Price by any and all amounts owed by you to us or our affiliates, and the amount of any encumbrances or liens against the Acquired Assets or any obligations assumed by us. If you cannot deliver clear title to all of the purchased Acquired Assets as indicated in this Section, or if there are other unresolved issues, the Closing will be accomplished through an escrow which you and we shall each be responsible for paying half the cost of.

14.8 Statutory Cure Period. If a statute in the state in which the Franchised Business is operated requires a cure period for the applicable default which is longer than any cure period specified in this Section 14, the statutory cure period shall apply.

14.9 Late Fee, Interest and Costs. If you fail to cure a default within any applicable time period following notice set forth herein, or if this Agreement is terminated as a result of your default, you shall pay us all damages, costs and expenses, including, without limitation, collection fees, interest at 1.5% per month, or the highest permissible rate, and reasonable investigation

and attorneys' fees incurred by us as a result of any such default or termination, in addition to the Late Fee. Entitlement to such interest will be in addition to any other remedies we may have. All such interest payments, damages, costs and expenses may be included in and form part of the judgment awarded to us in any proceedings.

15. OBLIGATIONS UPON TERMINATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you shall forthwith terminate, and you shall observe and perform the following:

15.1 Cessation of Operations. You shall immediately cease to operate the Franchised Business and shall not hereafter directly or indirectly, represent to the public or hold yourself out as a franchisee of ours.

15.2 Cessation of Use of Marks. You shall immediately and permanently cease to use, in any manner whatsoever, any equipment, format, confidential methods, client data base, programs, literature, database, and techniques associated with the System, the name MORELIA and any other Marks and distinctive trade dress, forms, slogans, uniforms, signs, symbols or devices associated with the System. In particular, you shall cease to use, without limitation, all signs, fixtures, furniture, equipment, advertising materials or promotional displays, uniforms, stationery, forms and any other articles which display the Marks associated with the System.

15.3 Cancellation of Name. You shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Marks or any of our other trademarks, trade names or service marks, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after termination or expiration of this Agreement.

15.4 Optional Assignment of Lease. You shall, at our option pursuant to Section 14.7 above, assign to us any interest which you have in any lease or sublease for the premises of the Franchised Business. In the event we elect to exercise our option to acquire such lease or sublease, we shall pay for any furniture, equipment, supplies and signs acquired by us as a result of such assignment, at your cost or fair market value (whichever is less), less any sums of money owed by you to us and less any sums of money necessary to upgrade and renovate the premises to meet our then current standards for a Morelia Store and less any sums necessary to acquire clear title to the lease or sublease interest. In the event that we are unable to agree on the fair market value of said items, an independent appraiser shall be appointed by us to determine the fair market value of said items. The determination of said appraiser shall be final and binding upon the parties. You shall pay the costs and expenses associated with the appointment of an independent appraiser.

In the event that we do not elect to exercise our option to acquire such lease or sublease, you shall make such modifications or alterations to the premises of the Franchised Business immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Morelia Stores under the System, and shall make such specific additional changes thereto as we may reasonably request for that purpose. In the event you fail or refuse to comply with the requirements of this Section 15, we shall have the right to enter upon the premises of the Franchised Business without being guilty of trespass or any other tort for the purpose of making or causing to be made such changes as may be required, at your expense, which expense you agree to pay upon demand.

15.5 Our Right to Continue Operations. Upon the expiration or termination of this Agreement for any reason, we shall have the right (but not the obligation) to immediately enter the premises of the Franchised Business and continue to provide services to customers of the Franchised Business for such period as we deem necessary and practical to: (a) exercise our option to purchase the Franchised Business and/or assume the lease for the premises pursuant; and/or (b) prevent injury to the goodwill and reputation of the Marks. We will be responsible for all operating expenses of the Franchised Business during such period of time. We shall have no other obligations to you in connection with our operation of the Franchised Business following the termination or expiration of this Agreement.

15.6 Non-Usage of Marks. You agree, in the event you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks or trade dress, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute our exclusive rights in and to the Marks or trade dress, and agree not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us so as to constitute unfair competition.

15.7 Prompt Payment Upon Default. You shall promptly pay all sums owing to us and our subsidiaries, affiliates and suppliers. In the event of termination for your default, such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by us as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of us against any and all of the personal property, machinery, fixtures, equipment and inventory owned by you and on the premises of the Franchised Business at the time of default.

In addition, if this Agreement is terminated by us for cause or by you without cause, we shall be entitled, as stipulated Liquidated Damages and not as a penalty and solely to compensate us for lost Royalty Fees for the period after termination of this Agreement, to a sum equal to the average Royalty Fees earned (even if not paid) per month over the 12-month period preceding the date of termination (or, if the Franchised Business was not open throughout such 12 period, then the average Royalty Fees earned per month for the period in which the Franchised Business was open), multiplied by: 24 or (the number of months remaining in the then-current term of this Agreement, whichever is higher.

15.8 Payment of Costs. You shall pay to us all damages, costs and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this Section 15 or any other obligation under this Agreement.

15.9 Return of Materials. You shall immediately turn over to us all copies of all materials in your possession including the Operations Manual, all records, files, instructions, correspondence, client database, brochures, agreements, disclosure statements and any and all other materials relating to the operation of the Franchised Business in your possession, and all copies thereof (all of which are acknowledged to be our property), and shall retain no copy or record of any of the foregoing, excepting only your copy of this Agreement, any correspondence between you and us, and any other documents which you reasonably need for compliance with any provision of law. In addition to the foregoing, you shall deliver to us a complete list of all people employed by you during the three years immediately preceding termination, together with all employment files for each employee on such list. All costs of delivering all materials required by this Section shall be borne by you.

15.10 Assignment of Telephone Listings. You shall promptly notify the appropriate telephone company and all telephone directory listing agencies of the termination or expiration of your right to use any telephone number and any regular, classified or other telephone directory listings associated with any Marks and authorize the transfer of same to us or, at our direction, instruct the telephone company to forward all calls made to the telephone numbers to numbers we specify. You acknowledge that, as between us and you, we have the sole right to and interest in all telephone numbers and directory listings associated with any Marks. You authorize us and appoint us and any officer of ours as your attorney in fact, to direct the appropriate telephone company and all listing agencies to transfer all such listings to us upon termination or expiration of this Agreement.

15.11 Option to Purchase. Upon expiration or termination of this Agreement, we shall have the right (but not the obligation) to purchase any or all of the furnishings, equipment, signs, fixtures, supplies, materials and other assets related to the operation of the Franchised Business, in accordance with the terms of Section 14.7 above. We shall have the unrestricted right to assign this option to any other party, without your consent.

15.12 Covenant of Further Assurances. You shall execute any legal document that may be necessary to effectuate the termination of this Agreement and shall furnish to us, within 30 days after the effective date of termination, written evidence satisfactory to us of your compliance with the foregoing obligations.

15.13 Compliance with Covenants. You shall comply with all applicable covenants that, by their nature, survive expiration or termination of this Agreement, including those confidentiality, non-competition and non-solicitation provisions contained in this Agreement.

15.14 No Further Interest. Other than as specifically set forth above, you shall have no interest in the Franchised Business upon termination or expiration of this Agreement.

16. COVENANTS

16.1 In-Term Restrictive Covenants. You and your owners specifically acknowledge that, pursuant to this Agreement, you and they will receive access to valuable specialized training and Confidential Information which are beyond your and their present skills and experience, including, without limitation, information regarding the business, promotional, sales, marketing and operational methods and techniques of the System. You and your owners further acknowledge that such specialized training and Confidential Information provide a competitive advantage, and that gaining access thereto is a primary reason for entering into this Agreement.

Accordingly, you and your owners covenant that, with respect to you, during the term of this Agreement (or, with respect to each of the owners, for so long as such person satisfies the definition of "owner" under this Agreement), except as otherwise approved in writing by us, neither you nor any of your owners shall, directly or indirectly, for yourself or themselves or through, on behalf of or in conjunction with any other person or legal entity: (a) divert any business or customer to a competitor, or do or perform any act injurious or prejudicial to the goodwill of the Marks and System; (b) recruit or hire any person employed by us or our franchisees; (c) solicit other franchisees, nor use available lists of franchisees, for any commercial purpose unrelated to the operation of the Franchised Business; or (d) have any involvement or interest in a "Competitive Business".

A “**Competitive Business**” means any business that primarily offers frozen desserts, ice cream, gelato, sorbet, frozen yogurt, or similar frozen sweet treats as its main product line, whether served in a retail location, mobile unit, or through delivery services, or any other business in which the 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 5% legal or beneficial interest.

16.2 Post-Term Restrictive Covenants. You and your owners covenant that, with respect to you, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement for any reason or, with respect to each of the owners, commencing on the earlier of: the expiration or termination of this Agreement for any reason, or the time such person ceases to satisfy the definition of “owner” under this Agreement, and continuing for two years thereafter, except as otherwise approved in writing by us, neither you nor any of your owners shall, directly or indirectly, for themselves or through, on behalf of or in conjunction with any other person or legal entity: (a) divert any business or customer to a competitor, or do or perform any act injurious or prejudicial to the goodwill of the Marks and System; (b) recruit or hire any person employed by us or our franchisees; (c) solicit other franchisees nor use available lists of franchisees for any commercial purpose or (d) have any involvement or interest in a Competitive Business located within a 15-mile radius of the premises of the Franchised Business or the location of any company-owned or franchised location in existence on the date of termination or expiration of the Franchise Agreement.

If any person restricted by this Section refuses voluntarily to comply with the foregoing obligations, the two-year period shall be extended by the period of non-compliance.

16.3 No Undue Hardship. You and your owners acknowledge and agree that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on you or them, since you and they have other considerable skills, experience and education which afford you and your owners the opportunity to derive income from other endeavors. If the period of time or the geographic area specified for any of the covenants in this Section 16 should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the area will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced in such area and for such time as is adjudged to be reasonable.

16.4 Inapplicability of Restrictions. Sections 16.1 and 16.2 of this Agreement shall not apply to the ownership by you or your owners of less than a 5% beneficial interest in the outstanding equity securities of any publicly held corporation.

16.5 Independence of Covenants. The parties agree that each of the covenants in this Agreement shall be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this Section 16 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you and your owners expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

16.6 Mission. You agree to support our mission and to conduct the Franchised Business in accordance with our operating policies and stated principles.

16.7 Modification of Covenants. You and your owners understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any restrictive covenant set forth in this Agreement or any portion thereof, without your or their consent, effective immediately upon receipt by you or them of written notice thereof, and you and your owners agree to promptly comply with any covenant as modified, which shall be fully enforceable notwithstanding anything to the contrary in this Agreement.

16.8 Enforcement of Covenants. You and your owners expressly agree that the existence of any claims you or they may have against us, whether arising under this Agreement or otherwise, shall not constitute a defense to the enforcement by us of the covenants in this Agreement.

16.9 Injunctive Relief. You and your owners acknowledge that any failure to comply with the requirements of this Section 16 shall constitute a material event of default under this Agreement and further acknowledge that such a violation would result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you and your owners' consent to the entry of an injunction prohibiting any conduct by you or them in violation of the covenants not to compete set forth in this Agreement, without the requirement that we post a bond. You and your owners expressly agree that it may be presumed conclusively that any violation of the terms of said covenants not to compete was accomplished by and through your unlawful utilization of our Confidential Information, know-how, methods and procedures. You and your owners agree to pay all court costs and reasonable attorneys' fees and costs that we incur in connection with the enforcement of this Section 16, including all costs and expenses for obtaining specific performance, or an injunction against the violation, of the requirements of this Section 16, or any part of it.

16.10 Execution of Covenants by Management. You agree to require and obtain the execution of covenants similar to those set forth in Section 9 (regarding confidentiality) and Section 16 (regarding non-competition and non-solicitation), including covenants applicable upon the termination of a person's relationship with you, from your officers, directors, managers and, at our request, any other personnel. You will obtain and furnish a non-disclosure agreement and covenant not to compete, in the form attached to this agreement as Exhibit "3," to any or all of the following persons, if such persons have access to information regarding the Franchised Business: (a) the Manager and assistant managers; (b) all officers, directors, and holders of a beneficial interest of 5% or more of the securities of the franchisee entity, and of any corporation directly or indirectly controlling the franchisee entity, if it is a corporation; (c) the general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of 5% or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if the franchisee entity is a partnership; and (d) the members (including any corporation, and the officers, directors, and holders of a beneficial interest of 5% or more of the securities of any corporation which controls, directly or indirectly, any member), if the franchisee entity is a limited liability company. Your failure to obtain execution of any covenants required by this Section shall constitute a material event of default under this Agreement.

16.11 Non-solicitation. You and your owners may not solicit other franchisees, nor use available lists of franchisees, for any commercial or other purpose other than purposes directly related to the operations of the Franchised Business.

17. TAXES, PERMITS, AND INDEBTEDNESS

17.1 Payment. You will promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind you incur in the conduct of the Franchised Business. You will pay us an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on us with respect to any payments to us required under this Agreement, unless the tax is credited against income tax otherwise payable by us.

17.2 Dispute. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business.

17.3 Compliance with Federal, State and Local Laws. You will comply with all federal, state, and local laws, rules, and regulations and shall timely obtain any and all permits or certificates necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, health and sanitation permits and ratings, and fire clearances.

17.4 Duty to Notify. You will notify us in writing within five days after the receipt of notice by you of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

18. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

18.1 Independent Contractor. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that you will be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, employer, joint employer, enterprise, or servant of the other for any purpose whatsoever.

1. During the term of this Agreement and any extensions hereof, you will hold yourself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise from us. You agree to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place, the content and form of which we reserve the right to specify.

2. You will indemnify and hold us, our parent, subsidiaries and affiliates, including our and their respective members, officers, directors, employees, agents, successors and assigns, harmless from all claims related in any way to your operation, possession or ownership of the Franchised Business or any debt or obligation of yours. This indemnification covers all fees (including reasonable attorneys' fees), costs and other expenses incurred by us or on our behalf in the defense of any claims and shall not be limited by the amount of insurance required under this Agreement. Our right to indemnity shall be valid notwithstanding that joint or concurrent liability may be imposed on us by statute, ordinance, regulation or other law. We will notify you of any claims covered by this paragraph, and you shall have the opportunity to assume the defense of the matter. We shall have the right to participate in any defense that is assumed by you, at our own cost and expense. No settlement of any claim against us shall be made without our prior written consent if we are subjected to any liability not covered by you or your insurer.

3. It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor will we be liable by reason of any act or omission of you in your conduct of the Franchised Business or for any claim or judgment arising therefrom against you or us, including, without limitation, negligence and violations of state and/or federal law.

4. Except as otherwise expressly authorized by this Agreement, neither party to this Agreement will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between you and us is other than that of Franchisor and Franchisee. We do not assume any liability, and will not be deemed liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement, nor will we be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Franchised Business franchised by this Agreement.

19. APPROVALS AND WAIVERS

19.1 Written Consent. Whenever this Agreement requires our prior approval or consent, you will make a timely written request to us, and such approval or consent will be obtained in writing.

19.2 No Waiver. No failure by us to exercise any power reserved to us by this Agreement, or to insist upon strict compliance by you with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver of our right to demand exact compliance with any of the terms in this Agreement. Our waiver of any particular default by you shall not affect or impair our rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of ours to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants of this Agreement affect or impair our right to exercise the same, nor shall such constitute a waiver by us of any right under this Agreement or the right to declare any subsequent breach or default and to terminate this Franchise Agreement prior to the expiration of its term. Subsequent acceptance by us of any payments due to us under this Agreement 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.

20. NOTICES

Any and all notices required or permitted under this Agreement will be in writing and will be personally delivered or sent by a means which affords the sender evidence of delivery or attempted delivery, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to FRANCHISOR:

Lefab Franchisor, LLC
76 Miracle Mile
Coral Gables, FL 33134
Attention: Gilbert Arismendi

With copy to:

Notices to FRANCHISEE:

With copy to:

Any notice sent or delivered as aforesaid will be deemed to have been given at the date and time of receipt or attempted delivery.

21. ENTIRE AGREEMENT

THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. The preambles and exhibit(s) are part of this Agreement, which constitute the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Any representation(s) not specifically contained in this Agreement made prior to entering into this Agreement do not survive subsequent to the execution of this Agreement. Nothing in this or any related agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. The parties have entered into this Agreement for the sole purpose of authorizing you to use the rights licensed by this Agreement in the operation of a single business operation at the designated Location during the term of this Agreement in which those specific products and services designated by us for sale in such locations are offered for sale. All consideration being furnished by you to us during the course of performance of this Agreement has been determined based on the limited rights and other limitations expressed herein. No other rights have been bargained for or paid for. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties further acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties, which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain.

22. NATURE AND SCOPE, SEVERABILITY AND CONSTRUCTION

22.1 Nature and Scope. We and you have entered into this Agreement for the sole purpose of authorizing you to use the intellectual property rights licensed by this Agreement in the operation of a single business operation at the designated location during the term of this Agreement in which those specific service and product items designated by us for sale in such locations are offered for sale in individual, face-to-face transactions with patrons visiting this fixed location (and equivalent telephone or mail transactions accepted as a convenience to that customer group). All consideration being furnished by you to us during the course of performance of this Agreement has been determined based on the limited rights and other limitations expressed in this Agreement. No other rights have been bargained for or paid for. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being

no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties further acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain.

22.2 Severability. Every part of this Agreement is severable. If for any reason any part of this Agreement is held to be invalid, that determination will not impair any other part, or the rest, of this Agreement; provided, however, that if we determine that such finding of invalidity or illegality adversely affects the basic consideration of this Agreement, we, at our option, may terminate this Agreement. If any part of this Agreement that restricts competitive activity is deemed unenforceable by virtue of its scope in terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

If any applicable law requires a greater prior notice of the termination of or refusal to enter into a successor franchise than is required hereunder, a different standard of “good cause”, or the taking of some other action not required hereunder, the prior notice, “good cause” standard and/or other action required by such law shall be substituted for the comparable provisions hereof. If any part of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable under applicable law, we may modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to make it valid and enforceable.

22.3 Covenants. You expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though you were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

22.4 Construction. All captions in this Agreement are intended solely for the convenience of the parties, and none of the captions shall be deemed to affect the meaning or construction of any provision of this Agreement or any part thereof, nor shall such captions otherwise be given any legal effect. “**A or B**” means “**A**” or “**B**” or both. All references in this Agreement to the masculine, neuter or singular shall be construed to include the feminine, neuter or plural, where applicable. Unless otherwise specified, all references to number of days mean calendar days and not business days. This Agreement may be executed in multiple counterparts, each of which when so executed shall be deemed an original, and all of which shall constitute one and the same instrument.

22.5 Certain Definitions. An “**affiliate**” of a named person means any person or entity that is controlled by, controlling or under common control with the named person. The term “**control**” or “**controlling interest**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise. The term “**owners**” mean those persons and entities which, collectively and individually, hold an ownership interest in you and in any entity directly or indirectly controlling you. The term “**person**” means any natural person, corporation, partnership (general or limited), limited liability company, or other artificial or legal entity.

22.6 Force Majeure. If, as a result of hurricane, tornado, typhoon, flooding, lightning, blizzard and other unusually severe weather, earthquake, avalanche, volcanic eruption, fire, riot, insurrection, terrorism, war, explosion, unavoidable calamity or other act of God (a “**Force Majeure**”), compliance by any party with the terms of this Agreement is rendered impossible or would otherwise create an undue hardship upon any party, all parties shall be excused from their respective obligations under this Agreement for the duration of the Force Majeure and for a reasonable recovery period thereafter, but otherwise this Agreement shall continue in full force and effect. However, such delays or events do not excuse payments of amounts owed at any time.

22.7 Timing is of the Essence. Time is of the essence. It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. In computing time periods from one date to a later date, the words “**from**” and “**commencing on**” (and the like) mean “**from and including**”; and the words “**to,**” “**until**” and “**ending on**” (and the like) mean “**to but excluding.**” Indications of time of day mean Miami, Florida time.

22.8 No Third-Party Beneficiaries. Except as otherwise expressly provided herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, us, our officers, directors and personnel, and such of your and our respective successors and assigns as may be contemplated (and, as to you, expressly authorized pursuant to Section 13), any rights or remedies under or as a result of this Agreement.

22.9 Agreement Effective Upon Execution by Franchisor. This Agreement will not become effective until signed by one of our authorized representatives. You and we each agree to promptly execute and deliver such further documents and take such further action as may be necessary in order to carry out the intent and purposes of this Agreement.

22.10 Approval and Consents. Whenever this Agreement requires our advance approval, agreement or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing. Except where expressly stated otherwise in this Agreement, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. If we provide to you any waiver, approval, consent or suggestion, or if we delay or neglect our response or deny any request for any of those, we will not be deemed to have made any warranties or guarantees which you may rely on and will not assume any obligation or liability to you.

22.11 Our Judgment. Whenever we exercise the right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise such right and/or discretion on the basis of our judgment of what is in our best interests. “Best interests” includes what we believe to be the best interests of the System at the time the decision is made or the right or discretion is exercised, even though (a) there may have been other alternative decisions or actions that could have been taken; (b) our decision or action taken promotes our financial or other individual interest; or (c) our decision or the action it takes may apply differently to different franchisees or any company-owned businesses. In the absence of an applicable statute, we will have no liability to you for any such decision or action. The exercise of the right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions.

23. ENFORCEMENT

23.1 MEDIATION. WITH THE EXCEPTION OF ANY CONTROVERSY OR CLAIM RELATING TO THE OWNERSHIP OR IMPROPER USE OF OUR MARKS OR CONFIDENTIAL INFORMATION, AND EXCEPT FOR EQUITABLE CLAIMS, THE PARTIES AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN OR INVOLVING US OR ANY OF OUR AFFILIATES (AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND YOU (AND YOUR AGENTS, REPRESENTATIVES AND/OR EMPLOYEES, AS APPLICABLE) ARISING OUT OF OR RELATED TO: (A) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN US AND YOU OR OUR AND YOUR RESPECTIVE AFFILIATES; (B) OUR RELATIONSHIP WITH YOU; (C) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU AND US OR OUR AND YOUR RESPECTIVE AFFILIATES; OR (D) ANY SYSTEM STANDARD, TO NON-BINDING MEDIATION AT A MUTUALLY AGREEABLE LOCATION (IF YOU AND WE CANNOT AGREE ON A LOCATION, THE MEDIATION WILL BE CONDUCTED AT OUR HEADQUARTERS) PRIOR TO BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL. THE MEDIATION SHALL BE CONDUCTED IN MIAMI, FLORIDA BY EITHER A MUTUALLY AGREED-UPON MEDIATOR OR, FAILING SUCH AGREEMENT WITHIN A REASONABLE PERIOD OF TIME (NOT TO EXCEED FIFTEEN (15) DAYS) AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS COMMERCIAL MEDIATION PROCEDURES. ABSENT AGREEMENT TO THE CONTRARY, THE MEDIATOR SHALL BE EXPERIENCED IN THE MEDIATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES. YOU AND WE AGREE THAT ANY STATEMENTS MADE BY EITHER YOU OR US IN ANY SUCH MEDIATION PROCEEDING WILL NOT BE ADMISSIBLE IN ANY SUBSEQUENT ARBITRATION OR LEGAL PROCEEDING. EACH PARTY WILL BEAR ITS OWN COSTS AND EXPENSES OF CONDUCTING THE MEDIATION AND SHARE EQUALLY THE COSTS OF ANY THIRD PARTIES WHO ARE REQUIRED TO PARTICIPATE. NEVERTHELESS, BOTH YOU AND WE HAVE THE RIGHT IN A PROPER CASE TO OBTAIN TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION. HOWEVER, THE PARTIES MUST IMMEDIATELY AND CONTEMPORANEOUSLY SUBMIT THE DISPUTE FOR NON-BINDING MEDIATION. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY THE WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING UNDER THIS SECTION 25. THE MEDIATION PROVISIONS OF THIS AGREEMENT ARE INTENDED TO BENEFIT AND BIND CERTAIN THIRD-PARTY NON-SIGNATORIES, AND ALL OF YOUR AND OUR OWNERS AND AFFILIATES.

23.2 ARBITRATION. ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, IF NOT RESOLVED BY THE NEGOTIATION AND MEDIATION PROCEDURES DESCRIBED ABOVE, MUST BE DETERMINED IN MIAMI, FLORIDA BY THE AMERICAN ARBITRATION ASSOCIATION (“AAA”). THIS ARBITRATION CLAUSE WILL NOT DEPRIVE US OF ANY RIGHT WE MAY OTHERWISE HAVE TO SEEK PROVISIONAL INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION. THE ARBITRATOR MUST HAVE SUBSTANTIAL EXPERIENCE IN FRANCHISE LAW AND WITH COMMERCIAL DISPUTES. THE PARTIES ASK THAT THE ARBITRATOR LIMIT DISCOVERY TO THE GREATEST EXTENT POSSIBLE CONSISTENT WITH BASIC FAIRNESS IN ORDER TO MINIMIZE THE TIME AND EXPENSE OF ARBITRATION. IF PROPER NOTICE OF ANY

HEARING HAS BEEN GIVEN, THE ARBITRATOR WILL HAVE FULL POWER TO PROCEED TO TAKE EVIDENCE OR TO PERFORM ANY OTHER ACTS NECESSARY TO ARBITRATE THE MATTER IN THE ABSENCE OF ANY PARTY WHO FAILS TO APPEAR. BOTH PARTIES WAIVE ANY RIGHTS THEY MAY HAVE TO DEMAND TRIAL BY JURY OR TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. THE ARBITRATOR WILL HAVE NO POWER TO: (A) STAY THE EFFECTIVENESS OF ANY PENDING TERMINATION OF FRANCHISE; (B) ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY; OR (C) MAKE ANY AWARD THAT MODIFIES OR SUSPENDS ANY LAWFUL PROVISION OF THIS AGREEMENT. THE PARTY AGAINST WHOM THE ARBITRATORS RENDER A DECISION MUST PAY ALL EXPENSES OF ARBITRATION. ANY COURT OF COMPETENT JURISDICTION MAY ENTER JUDGMENT UPON ANY AWARD.

23.3 Notice and Opportunity to Cure. As a mandatory condition precedent prior to your taking any legal or other action against us, whether for damages, injunctive, equitable or other relief (including, but not limited to, rescission), based upon any alleged act or omission of ours, you shall first give us 90 days prior written notice and opportunity to cure such alleged act or omission, or to resolve such matter.

23.4 Governing Law. Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 and the sections following it) or other federal law, this Agreement and the relationship created hereby are governed by Florida law, excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

23.5 Jurisdiction and Venue. You and we each consent and irrevocably submit to the exclusive jurisdiction and venue of the state and federal courts of competent jurisdiction for Miami-Dade County, Florida, and waive any objection to the jurisdiction and venue of such courts. This exclusive choice of jurisdiction and venue provision does not restrict the ability of the parties to confirm or enforce judgments or awards in any appropriate jurisdiction.

23.6 WAIVER OF CERTAIN LEGAL RIGHTS:

1. BOTH WE AND YOU WAIVE AND AGREE NOT TO INCLUDE IN ANY PLEADING OR ARBITRATION DEMAND: CLASS ACTION CLAIMS; DEMAND FOR TRIAL BY JURY; CLAIMS FOR LOST PROFITS; OR CLAIMS FOR PUNITIVE, MULTIPLE OR EXEMPLARY DAMAGES.

2. IF ANY PLEADING IS FILED THAT CONTAINS ANY OF THESE CLAIMS OR A JURY DEMAND, OR IF A COURT DETERMINES THAT ALL OR ANY PART OF THE WAIVERS ARE INEFFECTIVE, THEN THE PLEADING SHALL BE DISMISSED WITH PREJUDICE, LEAVING THE PLEADING PARTY TO ITS ARBITRATION REMEDY.

3. NO CLAIMS BY EITHER OF US CAN BE CONSOLIDATED WITH THE CLAIMS OF ANY OTHER PARTY. IF SUCH CLAIMS CANNOT BE WAIVED BY LAW, THEN THE PARTIES AGREE THAT ANY RECOVERY WILL NOT EXCEED TWO (2) TIMES ACTUAL DAMAGES.

23.7 Specific Performance/Injunctive Relief. Nothing in this Agreement shall bar our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and your sole remedy, in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived).

23.8 Cumulative Rights and Remedies. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, to be exclusive of any other right or remedy provided or permitted in this Agreement, by law or at equity, but each right or remedy shall be cumulative of every other right or remedy. Nothing contained herein shall bar our right to obtain injunctive relief against threatened conduct that may cause us loss or damage, including obtaining restraining orders and preliminary and permanent injunctions.

23.9 Private Disputes. Any dispute and any litigation will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. Any such proceeding will not be consolidated with any other proceeding involving any other person, except for disputes involving affiliates of the parties to such litigation.

23.10 Limitations of Claims. Any and all claims arising out of or in connection with this agreement or the relationship between you and us must be made by written notice to the other party within one year from the occurrence of the act or event giving rise to such claim or one year from the date on which you or we knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to such claims, whichever occurs first, except for claims for: (a) indemnification; or (b) unauthorized use of the confidential information or Marks. However, this provision does not limit our right to terminate this agreement in any way.

24. ATTORNEYS' FEES

If a claim for amounts owed by you to us or any of our affiliates is asserted in any legal or other proceeding or if either you or we are required to enforce this Agreement in a judicial or other proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and attorneys' fees. Attorneys' fees will include, without limitation, reasonable legal fees charged by attorneys, paralegal fees, and costs and disbursements, whether incurred prior to, or in preparation for, or contemplation of, the filing of written demand or claim, action, hearing, or proceeding to enforce the obligations of the parties under this Agreement.

25. JOINT AND SEVERAL LIABILITY

The term "Franchisee", "you" or "your" shall include all persons who succeed to the interest of the original Franchisee by transfer or operation of law and shall be deemed to include not only the individual or entity defined as the "Franchisee" in the introductory paragraph of this Agreement, but shall also include all partners of the entity that executes this Agreement, in the event said entity is a partnership; all shareholders of the entity that executes this Agreement, in the event said entity is a corporation; and all members of the entity that executes this Agreement, in the event said entity is a limited liability company. If two or more persons are at any time the

“Franchisee” under this Agreement, whether as partners or joint venturers, their obligations and liabilities to us shall be joint and several.

26. CHANGES AND MODIFICATIONS

This Agreement may be modified only by a written agreement signed by you and us. We reserve and shall have the sole right to make changes in the Operations Manual, including all parts thereof, the System and the Marks at any time and without prior notice to you. You shall promptly alter any signs, products, business materials, business methods, or related items, at your sole cost and expense, upon receipt of written notice of such change or modification in order to conform to our revised specifications. In the event that any improvement or addition to the Operations Manual, the System or the Marks is developed by you, then you agree that such improvement or addition is owned by us, or, upon our written agreement, you will grant to us an irrevocable, world-wide, exclusive, royalty-free license, with the right to sublicense such improvement or addition.

You understand and agree that due to changes in competitive circumstances, presently unforeseen changes in the needs of clients, and/or presently unforeseen technological innovations, the System must not remain static, in order that it best serves the interests of us, our franchisees and the System. Accordingly, you expressly understand and agree that we may from time to time change the components of the System, including, but not limited to, altering the programs, services, methods, standards, forms, policies and procedures of that System; adding to, deleting from or modifying those programs, services and products which the Franchised Business is authorized to offer; and changing, improving or modifying the Marks. Subject to the other provisions of this Agreement, you expressly agree to abide by any such modifications, changes, additions, deletions and alterations.

27. NO WAIVER

The failure by any party to give notice of default or to pursue any remedy for a breach of this Agreement shall not affect its right to give notice of any other default or pursue any remedy upon subsequent breaches.

28. SURVIVAL

It is agreed by the parties to this Agreement that whenever performance by a party is contemplated to extend beyond the expiration or termination of this Agreement, such performance obligation shall survive the expiration or termination of this Agreement and continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, until such performance is satisfied in full or the obligation, by its nature, expires. Examples include indemnification, payment, de-identification, post-term restrictive covenants, and dispute resolution proceedings.

IN WITNESS WHEREOF, the parties to this Agreement have duly executed, sealed and delivered this Agreement in triplicate on the day and year first above written (regardless of the actual date of signature).

FRANCHISOR:

LEFAB FRANCHISOR, LLC

By:

Its:

FRANCHISEE

Print Name: _____

Its: _____

[Signature Page to Lefab Franchisor, LLC Franchise Agreement]

SCHEDULE "A" TO THE FRANCHISE AGREEMENT

APPROVED LOCATION AND PROTECTED TERRITORY FOR SELECTION OF SITE

The Approved Location under this Agreement will be:

If the Approved Location has not yet been selected and approved, the geographic area within which you will select the site for your Morelia Store is [subject to change in our discretion]:

The Protected Territory under this Agreement (if applicable) will be:

_____ mile radius around Approved Location or the geographic area described below:

Check if map is attached.

You acknowledge that the Protected Territory is delineated solely for the purpose of establishing a geographic area within which you will select the site for your Franchised Business. Except as set forth in Section 1 of this Agreement, the Protected Territory does not confer to you any right of exclusivity within the Protected Territory or any other area.

LEFAB FRANCHISOR, LLC

FRANCHISEE:

Sign: _____

Sign: _____

Print: _____

Print: _____

Title: _____

Title: _____

Date: _____

Date: _____

SCHEDULE "B" TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP INTERESTS

Effective Date: This Statement of Ownership Interests is current and complete
as of _____, 20__

1. Form of Owner. My official name is _____. I am
a (check one):

- General Partnership
- Corporation
- Limited Partnership
- Limited Liability Company
- Other
- Specify: _____

2. Business Entity. I was incorporated or formed on _____, _____,
under the laws of the State of _____. I have not conducted business under any
name other than my corporate, limited liability company, or partnership name and the name(s)
_____. The following is a list of all persons who have
management rights and powers (e.g., officers, directors, managers, partners, etc.) and their
positions, as of the Effective Date shown above:

Name of Person	Position(s) Held
_____	_____
_____	_____
_____	_____

3. Owners. The following list includes the full name and mailing address of each person who
is one my owners (as defined in the Franchise Agreement), including all shareholders, partners,
members, or other investors owning or holding a direct or indirect interest in me, and fully
describes the nature of each person's interest (attach additional sheets if necessary):

Owner's Name and Address	Nature of Interest	% of Ownership Interest in Franchisee

4. Operating Principal. My Operating Principal is: _____.
(must be one of the individuals listed in paragraph 3 above). I understand that I may not change
the Operating Principal without Franchisor's prior written approval.

5. Governing Documents. Attached are copies of the documents and contracts governing
the ownership, management and other significant aspects of the business organization (e.g.,
articles of incorporation or organization, partnership or shareholder agreements, etc.).

FRANCHISEE:

[Name]

Sign:_____

Name:_____

Title:_____

**EXHIBIT "1A" TO THE FRANCHISE AGREEMENT
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT
(ELECTRONIC FUNDS TRANSFER/DIRECT DEBITS)**

The undersigned depositor, ("Depositor") authorizes **LEFAB Manufacture, LLC** ("Franchisor") to request debit entries and/or credit correction entries to the Depositor's checking and/or savings account(s) indicated below according to Franchisor's instructions.

Bank Name

Account Type:

Bank Address (Branch)

Billing Address

Bank Transit/ABA Routing Number

Account Number

This authorization is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor's termination of the authorization in a time and manner that will give Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository will give Franchisor and Depositor thirty (30) days prior written notice of the termination of this authorization. If an erroneous debit entry is made to Depositor's account, Depositor will have the right to have the amount of the entry credited to the account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to the entry or forty five (45) days after posting, whichever occurs first, Depositor has sent Depository a written notice identifying the entry, stating that the entry was in error, and requesting Depository to credit the amount of it to the account.

These rights are in addition to any rights Depositor may have under federal and state banking laws.

Depositor

Name:

Title:

Date:

**EXHIBIT "1B" TO THE FRANCHISE AGREEMENT
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT
(ELECTRONIC FUNDS TRANSFER/DIRECT DEBITS)**

The undersigned depositor, ("Depositor") authorizes **LEFAB Franchisor, LLC** ("Franchisor") to request debit entries and/or credit correction entries to the Depositor's checking and/or savings account(s) indicated below according to Franchisor's instructions.

Bank Name

Account Type:

Bank Address (Branch)

Billing Address

Bank Transit/ABA Routing Number

Account Number

This authorization is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor's termination of the authorization in a time and manner that will give Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository will give Franchisor and Depositor thirty (30) days prior written notice of the termination of this authorization. If an erroneous debit entry is made to Depositor's account, Depositor will have the right to have the amount of the entry credited to the account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to the entry or forty five (45) days after posting, whichever occurs first, Depositor has sent Depository a written notice identifying the entry, stating that the entry was in error, and requesting Depository to credit the amount of it to the account.

These rights are in addition to any rights Depositor may have under federal and state banking laws.

Depositor

Name:

Title:

Date:

EXHIBIT "2" TO THE FRANCHISE AGREEMENT

ADDENDUM TO LEASE AGREEMENT
CONDITIONAL ASSIGNMENT OF LEASE

ADDENDUM TO LEASE AGREEMENT
CONDITIONAL ASSIGNMENT OF LEASE

Landlord/Lessor: _____ **Tenant/Lessee:** _____

Notice _____ Notice _____
Address: _____ Address: _____

Franchisor: Lefab Franchisor, LLC
Notice Address: 76 Miracle Mile, Coral Gables, Florida 33134
Date: Effective as of the Date of the Lease Between Landlord and Tenant (the "**Lease**")
Leased Premises/Location of Leased
Site: _____

Landlord, Franchisor, and Tenant agree to this addendum ("**Addendum**") as follows:

1. Tenant is a MORELIA Franchisee. The Leased Premises shall be used for the operation of a business under the name MORELIA STORE, which offers customers a premium desserts and other frozen novelties, including dairy-based and fruit-based gelato and sorbet bars that are combined with a variety of fresh fruits, nuts, and other ingredients, as well as smoothies, shakes, and other coffee beverages, approved by the Franchisor under the trade name **MORELIA**, or any name authorized by the Franchisor, as further defined in Section/Article ___ of the Lease. The Landlord acknowledges that such use shall not violate any existing exclusives granted to any other existing tenant of the Landlord.

2. Landlord shall provide Franchisor, at Franchisor's then current Notice Address, with copies of any written Notice of Default ("**Default**") given to Tenant under the Lease, and Landlord grants to Franchisor, at Franchisor's option, the right (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 15 days after the expiration of the period in which Tenant may cure the Default.

3. In the event of a Default of the Lease by Tenant, or the default of the Franchise Agreement by Tenant, and upon written notice to Landlord by Franchisor to accept written assignment of the Lease to Franchisor as replacement tenant ("**Agreement Notice**"), Franchisor shall become Tenant of the Leased Premises and shall become liable for all obligations under the Lease arising after the date of the Assignment Notice.

4. The Lease shall not be modified or canceled with regard to Franchisor's rights under this Addendum without the prior written approval of Franchisor.

Landlord/Lessor	Tenant/Lessee/Franchisee
By: _____	By: _____
Name: _____	Name: _____
Its: _____	Its: _____

LEFAB FRANCHISOR, LLC / FRANCHISOR

By: _____

EXHIBIT “3” TO THE FRANCHISE AGREEMENT

NON-DISCLOSURE AGREEMENT/NON-COMPETE AGREEMENT

_____ (“Confidant”), in exchange for (1) certain proprietary information and operational training provided by Lefab Franchisor, LLC (“FRANCHISOR”) and (2) the grant of a franchise by FRANCHISOR or (3) employment by FRANCHISOR or one of its franchisees, agrees as follows:

RECITALS

WHEREAS, Franchisor licenses the use of a distinctive system (the “**System**”) for the development and operation of retail businesses offering retail premium desserts and other frozen novelties, utilizing the Morelia System that operate under the trade name “**Morelia**” (the “**Franchised Business**” or the “**Morelia business**”), and

WHEREAS, the System includes, but is not limited to, certain trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin, including, but not limited to, the mark “**Morelia Gourmet Paletas**” and such other trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin (the “**Marks**”), as FRANCHISOR and/or its affiliates may develop in the future to identify for the public the source of services and the products marketed under such Marks and under the System; and

WHEREAS, the Marks and System provide economic advantages to FRANCHISOR, and the System is not generally known to, and is not readily ascertainable by proper means by, FRANCHISOR’s competitors who could obtain economic value from knowledge and use of the System; and

WHEREAS, FRANCHISOR has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the System; and

WHEREAS, FRANCHISOR has granted FRANCHISEE the right to operate a Morelia Store using the Marks and the System for the period defined in a Franchise Agreement dated _____, 20__ (“**Franchise Agreement**”), between FRANCHISOR and FRANCHISEE; and

WHEREAS, FRANCHISOR and FRANCHISEE have agreed in the Franchise Agreement on the importance to FRANCHISOR and to FRANCHISEE and other licensed users of the System of restricting the use, access and dissemination of the System; and

WHEREAS, it will be necessary for certain employees, agents, independent contractors, officers, directors, managers and holders of ownership interests in FRANCHISEE, or any entity having an interest in FRANCHISEE of which Covenantor is one, to have access to and to use of the System in the management and operation of FRANCHISEE’s business; and

WHEREAS, Covenantor wishes to become a FRANCHISEE, or remain or become employed by or associated with FRANCHISEE; and

WHEREAS, Covenantor wishes and needs to receive and use the System in the course of his or her employment or association in order to effectively perform his services and duties as or for FRANCHISEE; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the System constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

Confidentiality Agreement

1. FRANCHISOR and/or FRANCHISEE shall disclose to Covenantor some or all of the proprietary information and provide certain materials relating to the System. All capitalized terms not defined in this Agreement shall have the meaning given in the Franchise Agreement. All information and materials, including, without limitation, any manuals, drawings, specifications, techniques and compilations of data which Franchisor provides to Franchisee and/or Covenantor shall be deemed proprietary for the purposes of this Agreement.

2. Covenantor shall be granted access to the System in confidence and shall, at all times, maintain same in confidence, and use same only in the course of his/her employment by or association with Franchisee and then only in connection with the development and/or operation by FRANCHISEE of a Franchised Business using the System for so long as FRANCHISEE is licensed by FRANCHISOR to use the System.

3. Covenantor shall not at any time make copies of any documents or compilations relating to the System without FRANCHISOR's express written permission.

4. Covenantor shall not at any time disclose or permit the disclosure of the information and materials relating to the System except to other employees of FRANCHISEE and only to the limited extent necessary to train or assist other employees of FRANCHISEE in the development or operation of the Franchised Business using the System.

5. Covenantor shall surrender any material relating to the System to the FRANCHISEE or FRANCHISOR, upon request, or upon termination of employment by or association with FRANCHISEE, or upon conclusion of the use for which such information or material may have been furnished to Covenantor.

6. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

7. The Operations Manual is loaned by FRANCHISOR to FRANCHISEE for limited purposes only and remain the property of FRANCHISOR and may not be reproduced, in whole or in part, without FRANCHISOR's written consent.

Covenants Not to Compete

1. In order to protect the goodwill and distinctive qualities, confidentiality and value of the System, and in consideration for being granted access to and use of the System, that during the term of this Agreement, Covenantor further agrees and

covenants as follows: (a) divert any business or customer to a competitor, or do or perform any act injurious or prejudicial to the goodwill of the Marks and System; (b) recruit or hire any person employed by us or our franchisees; (c) solicit other franchisees, nor use available lists of franchisees, for any commercial purpose unrelated to the operation of the Franchised Business; or (d) have any involvement or interest in a "Competitive Business".

A "**Competitive Business**" means any business that primarily offers frozen desserts, ice cream, gelato, sorbet, frozen yogurt, or similar frozen sweet treats as its main product line, whether served in a retail location, mobile unit, or through delivery services, or any other business in which the 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- publicly-held entity in which Franchisee owns less than a 5% legal or beneficial interest.

2. In further consideration for being granted access to and use of the System, Covenantor agrees and covenants that for two (2) years following the earlier of the expiration, non-renewal, termination or transfer of all of Franchisee's interest in the Franchise Agreement or the termination of his/her employment by or association with Franchisee, for whatever reason, Covenantor will not without the prior written consent of Franchisor: a) divert any business or customer to a competitor, or do or perform any act injurious or prejudicial to the goodwill of the Marks and System; (b) recruit or hire any person employed by us or our franchisees; (c) solicit other franchisees nor use available lists of franchisees for any commercial purpose or (d) have any involvement or interest in a Competitive Business located within a 15-mile radius of the premises of the Franchised Business or the location of any company-owned or franchised location in existence on the date of termination or expiration of the Franchise Agreement.

Miscellaneous

1. FRANCHISEE shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, FRANCHISOR would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, FRANCHISOR shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies which are made available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by FRANCHISOR and FRANCHISEE in enforcing this Agreement.

4. Any failure by FRANCHISOR or the FRANCHISEE to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE COURTS OF FLORIDA AND THE FEDERAL DISTRICT COURT THEREIN. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM OR HER IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY THE LAWS OF SAID STATE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE MIAMI-DADE COUNTY, FLORIDA; HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of FRANCHISOR. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which FRANCHISOR is a party, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

7. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

Lefab Franchisor, LLC
76 Miracle Mile
Coral Gables, Florida 33134

With copy to:

If directed to Franchisee, the notice shall be addressed to:

Attention: _____

If directed to Covenantor, the notice shall be addressed to:

Attention: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by telex or facsimile shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given the earlier of actual receipt or three business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving 15 days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturdays Sundays and national holidays on which federally chartered banks are authorized to close.

9. The rights and remedies of FRANCHISOR under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns. The respective obligations of FRANCHISEE and Covenantor hereunder may not be assigned by FRANCHISEE or Covenantor, without the prior written consent of FRANCHISOR.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

**FRANCHISOR:
LEFAB FRANCHISOR, LLC**

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

FRANCHISEE:

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

COVENANTOR:

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

EXHIBIT "4" TO THE FRANCHISE AGREEMENT

OWNER'S GUARANTY

This Owners' Guaranty (the "**Guaranty**") is given this _____ day of 20__, by the undersigned in connection with the Franchise Agreement dated _____, 20__ between LEFAB FRANCHISOR, LLC ("**Franchisor**") and _____ ("**Franchisee**").

In consideration of, and as an inducement to, the execution of the Franchise Agreement by Franchisor, each of the undersigned and any other parties who sign counterparts of this Guaranty (individually, a "**Guarantor**" and collectively, the "**Guarantors**") hereby personally and unconditionally guarantee to Franchisor and its successors and assigns, that Franchisee will punctually perform its obligations and pay all amounts due under the Franchise Agreement, including (without limitation), amounts due for initial franchise fees, royalties, advertising fund contributions and purchases of equipment, materials, and supplies.

Each Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty and the undertakings of the owners in the Franchise Agreement are in partial consideration for, and a condition to, the granting of a franchise in the Franchise Agreement, and that Franchisor would not have granted such rights without the execution of this Guaranty and such undertakings by each Guarantor.

Each Guarantor waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; and
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iv) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this Guaranty (including by way of counterparts); and
- (vi) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (i) his or her direct and immediate liability under this Guaranty will be joint and several not only with Franchisee, but also among the Guarantors; and
- (ii) he or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; and
- (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any

remedies against Franchisee or any other person; and

- (iv) such liability will not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Franchise Agreement or by any extension of time, credit or other indulgence that 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 will in any way modify or amend this Guaranty, which will be continuing and irrevocable throughout the term of the Franchise Agreement and for so long thereafter as there are any monies or obligations owing by Franchisee to Franchisor under the Franchise Agreement; and
- (v) Franchisee's written acknowledgment, accepted in writing by Franchisor, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantors.

Each Guarantor individually, jointly and severally, also makes all of the covenants, representations, warranties and agreements of your owners set forth in the Franchise Agreement and is obligated to perform thereunder, which include, among other things, the MEDIATION OF DISPUTES and WAIVERS OF JURY TRIAL RIGHTS AND PUNITIVE DAMAGES).

Additionally, with respect to the individual designated as the Operating Principal, the Operating Principal acknowledges that the undertakings by Operating Principal under this Guaranty are made and given in partial consideration of, and as a condition to, Franchisor's grant of franchise rights as described herein; Operating Principal individually, jointly and severally, makes all of the covenants, representations and agreements of Franchisee and Operating Principal set forth in the Franchise Agreement and is obligated to perform hereunder.

If Franchisor is required to enforce this Guaranty in an administrative, judicial or arbitration proceeding, and prevails in such proceeding, Franchisor will be entitled to reimbursement of its costs and expenses, including, but not limited to, legal and accounting fees and costs, administrative, arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative, judicial or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors will reimburse Franchisor for any of the above-listed costs and expenses incurred by it.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature on the same day and year as the Franchise Agreement was executed.

GUARANTORS

Name*: _____

Name: _____

* Denotes individual who is Franchisee's Operating Principal

EXHIBIT “C” TO THE DISCLOSURE DOCUMENT

FORM OF MULTI-UNIT DEVELOPER AGREEMENT

MULTI-UNIT DEVELOPMENT AGREEMENT

MULTI-UNIT DEVELOPER

DATE OF AGREEMENT

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E	Development Area

MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (the “**Agreement**”) is made and entered into the _____ day of _____, 20___, between, LEFAB Franchisor, LLC, a Florida limited liability company, (“**we**”, “**us**” “**our**”, “**Franchisor**”) and _____ a [resident of] [corporation organized in] [limited liability company organized in] _____ (hereinafter “**you**” or “**your**” or “**Multi-Unit Developer**”).

WITNESSETH:

WHEREAS, we have developed a proprietary system through significant expenditures of time, skill, effort and money (the “**System**”), relating to the establishment, development and operation of a retail store that sells premium desserts and other frozen novelties, namely, dairy-based and fruit-based gelato and sorbet bars that can be combined with a variety of fresh fruits, nuts, chocolate dipping’s or other ingredients, as well as milkshakes, smoothies, and coffee beverages under the name “Morelia Gourmet Paletas” using proprietary recipes (a “**Morelia franchise**” or the “**Franchised Business**”);

WHEREAS, we have developed the uniform standards, specifications, methods, policies and procedures for Morelia franchise operations, including, but not limited to, proprietary recipes, training and operational assistance, as well as advertising and promotional programs, all of which may be changed, improved upon and further developed from time to time;

WHEREAS, we, through our dedicated operations and marketing methods, have developed the reputation, public image and goodwill of our System;

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the marks MORELIA GOURMET PALETAS and such other trade names, service marks, and trademarks as are now and may hereafter be designated for use in connection with the System (all of which are referred to as the “**Marks**”);

WHEREAS, we will continue to develop, use and control the use of the Marks in order to identify for the public the source of the products and services marketed under the System, and to represent to the public the Morelia System’s uniformity requirements and quality standards as established and promulgated from time to time by us;

WHEREAS, you acknowledge that you have read this Agreement and our Franchise Disclosure Document, and that you have no knowledge of any representations about the Franchised Business or about us or our franchising program or policies made by us or our officers, directors, shareholders, employees or agents which are contrary to the statements in our Franchise Disclosure Document or to the terms of this Agreement, and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all facilities which operate pursuant to the System and thereby to protect and preserve the goodwill of the Marks; and

WHEREAS, you wish to obtain certain development rights to open and operate Morelia Stores operating under the Marks and the System within the Development Area described in this Agreement.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party stated herein, hereby agree as follows:

1. GRANT

1. We hereby grant to you, pursuant to the terms and conditions of this Agreement, certain development rights ("**Development Rights**") to establish and operate _____ franchised Morelia Stores, and to use the Marks and System solely in connection therewith, at specific locations to be designated in separate Franchise Agreements executed as provided in Section 3.1. hereof, and pursuant to the schedule established in Attachment "D" of this Agreement (hereinafter "**Minimum Performance Schedule**"). Each Morelia Store developed hereunder shall be located in the area described in Attachment "E" of this Agreement (hereinafter "**Development Area**").

2. Each Morelia Store for which a Development Right is granted hereunder shall be established and operated pursuant to a Franchise Agreement to be entered into between you and us in accordance with Section 3.1. hereof.

3. Except as otherwise provided in this Agreement, we shall not establish, nor franchise anyone other than you, to establish a Morelia Store in the Development Area during the term of this Agreement, provided you are not in default hereunder.

4. This Development Agreement is not a Franchise Agreement and does not grant to you any right to use the Marks or System.

5. You shall have no right under this Multi-Unit Development Agreement to franchise others under the Marks or System.

2. MULTI-UNIT DEVELOPMENT FEE

1. In consideration of the Development Rights granted herein, you shall pay to us non-refundable multi-unit development fee at the time of signing the multi-unit development agreement. The amount of the multi-unit development fee will depend on the number of locations to be opened. For each location, you will have to sign a separate individual unit franchise agreement in our then-current form of franchise agreement, which may be different than our current form of franchise agreement. The multi-unit development fee ("**Multi-Unit Development Fee**") will serve as a full credit against the initial franchise fees for each location (including the first location), so that you will not be required to pay an Initial Franchise Fee at the time you sign each Franchise Agreement for each location.

The Multi-Unit Development Fee is as follows: For two locations, the fee is \$89,500. For three locations, the fee is \$124,500. For more than three locations, the fee is \$124,500 plus \$30,000 for each additional location. For ten locations, the fee is \$334,500. The multi-unit development fee is fully earned by us upon receipt and is not refundable under any circumstances, regardless of the number of units you open.

3. SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

1. You shall assume all responsibility and expense for locating potential sites for Morelia Stores and shall submit to us for our evaluation and approval, in the form specified by us, a description of the site, the terms of the lease or purchase, and such other information and materials as we may reasonably require. We will make reasonable efforts to notify you within 30

days after receipt of such information and materials from you to accept or decline the site in our sole discretion. We shall have no obligation to approve sites which do not meet our criteria for you to meet the Minimum Performance Schedule.

2. Recognizing that time is of the essence, you agree to exercise each of the Development Rights granted hereunder in the manner specified herein and in accordance with the Minimum Performance Schedule. Your failure to adhere to the Minimum Performance Schedule shall constitute a default under this Agreement as provided in Section 9.1. hereof. Under no circumstances may you open a Morelia Store for business unless and until there is a fully executed Franchise Agreement in place for such Morelia Store, and we have been paid all amounts payable to us upon execution of such Agreement.

3. You shall exercise each Development Right granted herein only by executing a Franchise Agreement for each Morelia Store at a site approved by us in the Development Area as hereinafter provided within ten days after receipt of said Franchise Agreement from us for the approved site and return same to us for our execution. The Franchise Agreement for the first Development Right exercised hereunder has been executed contemporaneously with this Agreement. The Franchise Agreement for each additional Development Right exercised hereunder shall be the then-current Franchise Agreement, except that the Royalty Fees shall not increase and shall be the same as stated in the first Franchise Agreement executed, subject to any non-material changes therein which are required to be made by changes in any applicable law, regulation or ordinance in effect from time to time. In the event we do not receive the properly executed Franchise Agreement with the appropriate number of copies within said ten days from delivery thereof to you, our approval of the site shall be void, and you shall have no rights with respect to said site.

The balance of the initial franchise fees to be paid by you for each additional Morelia franchise shall be payable in a lump sum upon the execution of each Franchise Agreement.

4. You acknowledge that our approval of a particular site for a Morelia Store shall not be deemed to be an assurance or guaranty that the Morelia Store will operate successfully or at a profit from such site.

5. You shall be required to execute each Franchise Agreement and own a minimum of 51% of the issued and outstanding stock for each Morelia Store to be opened pursuant to said Franchise Agreement. In no event shall you relinquish control over each or any entity operating each Morelia Store except pursuant to an authorized transfer, as described in Section 11.

4. DEVELOPMENT RIGHTS AND OBLIGATIONS

1. Subject to the provisions of this Agreement, we grant to you the Development Rights, as described in Section 1.1. Notwithstanding any other provision of this Agreement, Development Rights under this Agreement may or may not, in our sole discretion, include the right to develop Morelia Store at any "Non-Traditional Sites," as such term is described in the Disclosure Document. If a Non-Traditional Site becomes available within the Development Area during the term of this Agreement, we may, in our sole discretion, offer you the opportunity to develop a Morelia Store at the Non-Traditional Site. You will have 30 days after we notify you that the site is available to accept this right of first refusal.

2. Provided you are in full compliance with all the terms and conditions of this Agreement, including without limitation your development obligations described in Section 3.2.

and the Minimum Performance Schedule, and you are in full compliance with all of your obligations under all franchise agreements executed pursuant to this Agreement, then during the term of this Agreement, neither we nor any of our affiliates will develop or operate or grant franchises for the development or operation of Morelia Stores within the Development Area, except the franchises that are granted to you pursuant to this Agreement and except as otherwise expressly provided in this Agreement. However, we have the right to terminate this exclusivity if you are not in full compliance with all the terms and conditions of the Multi-Unit Development Agreement and all franchise agreements signed under it.

3. Upon the termination or expiration of this Agreement, we and our affiliates shall have the right to develop and operate, and to grant to others development rights and franchises to develop and operate, Morelia Stores within the Development Area subject only to the territorial rights granted to you with respect to Morelia Store operated by you pursuant to the Franchise Agreements and subject, further, to the right of first refusal described in Section 6 below.

4. Except as expressly limited by Section 3.2. above, we and our affiliates retain all rights with respect to Morelia Stores, the Marks and the sale of any goods and services, anywhere in the world, including, without limitation, the right:

a) To produce, offer and sell and to grant others the right to produce, offer and sell any of the products or services offered at Morelia Stores and any other goods or services displaying the Marks or other trade and service marks through alternative distribution channels, as described above, both within and outside your Development Area, and under any terms and conditions we deem appropriate;

b) To operate and to grant others the right to operate Morelia Stores located outside the Development Area under any terms and conditions we deem appropriate and regardless of proximity to your Morelia Stores;

c) To operate and to grant others the right to operate Morelia Stores at Non-Traditional Sites within and outside the Development Area under any terms and conditions we deem appropriate. If a Non-Traditional Site becomes available within the Development Area during the term of the Multi-Unit Development Agreement, we may, in our sole discretion, offer you the opportunity to develop a Morelia Stores at the Non-Traditional Site. You will have 30 days after we notify you that the site is available to accept this right of first refusal; and

d) The right to acquire and operate a business operating one or more competing businesses located or operating in your Development Area.

5. To maintain your rights under the Multi-Unit Development Agreement, you must have open and in operation the cumulative number of Morelia Stores stated on the Minimum Performance Schedule by the dates agreed upon. Failure to do so will be grounds for either a loss of territorial exclusivity or a termination of the Multi-Unit Development Agreement.

5. TERM AND RENEWAL

1. The term of this Agreement shall be the length of the Minimum Performance Schedule. The Minimum Performance Schedule shall be deemed completed, and this Agreement shall expire, upon the opening of the last Morelia Store to be developed hereunder.

Notwithstanding, six months following the opening of the first Morelia Store opened pursuant to this Agreement, we shall have the unilateral right to terminate this Agreement, and cease any future development, upon written notice if you, as the Developer, or the Store, fail to meet our reasonable expectations. Under such scenario, we will pay you one-half of any fees that you would be entitled to receive for the upcoming pending units. We shall have no further obligations to you under the Multi-Unit Development Agreement.

2. This Agreement shall not be subject to renewal; however, if you wish to purchase a new Development Area and continue to develop Morelia Stores, we will, in good faith, negotiate a new Multi-Unit Development Agreement with you.

6. TERM AND RIGHT OF FIRST REFUSAL

1. Unless sooner terminated in accordance with the terms of this Agreement, the term of this Multi-Unit Development Agreement and all Development Rights granted hereunder shall expire on the date the last Morelia Store is opened pursuant to the Minimum Performance Schedule established in Attachment "D".

2. If, during the term of this Agreement, a Non-Traditional Site becomes available in your Development Area, then we may, in our sole discretion, offer to you the opportunity to develop a Morelia Store at such Non-Traditional Site. You shall have 30 days after receiving receipt of our notice in which to accept or decline this right of first refusal. Your failure to notify us within such 30-day period shall be interpreted as that you have declined the right of first refusal. Nothing in this Agreement shall require us to provide you with a right of first refusal for a Non-Traditional Site.

3. Upon completion of the Minimum Performance Schedule, if we determine that it is desirable to operate one or more additional Morelia Stores in the Development Area, and provided you have timely complied with the Minimum Performance Schedule and are then in compliance with all terms and conditions of all Franchise Agreements, you shall have a right of first refusal to obtain the Development Rights to such additional Morelia Stores upon such reasonable terms and conditions as are then determined by us including, but not limited to, the payment of the then-current initial fees upon execution of the then-current Franchise Agreement. In such case, we shall advise you in writing of the terms and conditions for the acquisition of the Development Rights for such additional Morelia Stores. You must notify us in writing within 60 days of the receipt of such notice whether you wish to acquire the Development Rights to one or all of such additional Morelia Stores. If you do not exercise this right of first refusal, in whole, we may, following the expiration of the 60-day period, grant the Development Rights to such additional Morelia Stores to any other person or persons on the same terms and conditions or we may elect to develop and construct any of such additional Morelia Stores.

7. YOUR OBLIGATIONS

1. You acknowledge and agree that:

a) Except as otherwise provided herein, this Agreement includes only the right to select sites for the establishment of Morelia Stores and to submit the same to us for our approval in accordance with the terms of this Agreement. This Agreement does not include the grant of a license by us to you of any rights to use the Marks, the System, or to open or operate any Morelia Stores within the Development Area. You shall obtain the license to use such

additional rights at each Morelia Store upon the execution of each Franchise Agreement by both you and us and only in accordance with the terms of each Franchise Agreement.

b) The Development Rights granted hereunder are personal to you and cannot be sold, assigned, transferred or encumbered, in whole or in part, except as stated in Section 11 hereof.

c) Except as provided in Sections 6.1. and 6.2. hereof, the Development Rights granted hereunder are non-exclusive, and we retain the right, in our sole discretion:

(I) To continue to construct and operate other Morelia Stores and to use the System and the Marks at any location outside the Development Area, and to license others to do so.

(II) To develop, use and franchise the rights to any trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia, or copyrights not designated by us as Marks for use with different franchise systems for the sale of the different products or services not in connection with the System at any location, on such terms and conditions as we may deem advisable and without granting you any rights therein.

(III) To develop, merchandise, sell and license others to sell any of our products, proprietary or otherwise, presently existing or to be developed in the future, to the public through alternative distribution channels outside or inside of the Development Area and to use the Marks in connection therewith.

4. You have sole responsibility for the performance of all obligations arising out of the operation of your business pursuant to this Agreement, including, but not limited to, the payment when due of any and all taxes levied or assessed by reason of such operation.

5. In all public records, in your relationship with other persons, and in any documents, you shall indicate clearly the independent ownership of your business and that the operations of said business are separate and distinct from the operation of a Morelia Store.

6. You shall, at all times, preserve in confidence any and all materials and information furnished or disclosed to you by us, and you shall disclose such information or materials only to such of your employees or agents who must have access to it in connection with their employment. You shall not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

7. You shall comply with all requirements of federal, state and local laws, rules and regulations.

8. You shall at no time have the right to sub-franchise any of your Development Rights here under.

9. In no event shall any Morelia Store be opened for business unless and until a Franchise Agreement for such Morelia Store has been fully executed and the Initial Franchise Fee for such Morelia Store has been paid.

8. OUR SERVICES

We shall, at our expense, provide the following services:

1. We will review the information regarding potential sites that you provide to us to determine whether the sites meet our standards and criteria, and if the site meets our criteria, accept the site.
2. We will assist you in determining the layout and configuration of each Morelia Store once the location has been approved. After you and we have determined the layout and configuration of each Morelia Store, you must arrange for site plan and build-out plans and specifications to be prepared and submitted to us for our review.
3. We will review your site plan and final build-out plans and specifications for conformity to our standards and specifications; however, all costs and expenses associated with such site plans and build-out plans are your responsibility.
4. We will provide other resources and assistance as may be developed and offered to our Multi-Unit Developers.

9. DEFAULT AND TERMINATION

1. The occurrence of any of the following events of default shall constitute good cause for us, at our option and without prejudice to any other rights or remedies provided for hereunder or by law or equity, to terminate this Agreement upon notice to you without opportunity to cure the default, except where prohibited by any applicable state or federal law, whereupon this Agreement shall be terminated in accordance with the provisions of any such law:
 - a) If you shall, in any respect, fail to meet the Minimum Performance Schedule.
 - b) If you shall purport to effect any assignment other than in accordance with Section 11 hereof.
 - c) Except as provided in Section 11 hereof, if you attempt to sell, assign, transfer or encumber this Agreement prior to the time that at least 50% of the Morelia Stores to be constructed and opened for business in accordance with the Minimum Performance Schedule are, in fact, open or under construction unless you receive our consent otherwise.
 - d) If you make, or have made, any material misrepresentation to us in connection with obtaining this Agreement, any site approval hereunder, or any Franchise Agreement.
 - e) If you default in the performance of any obligation under any Franchise Agreement with us, provided such default results in the termination of the Franchise Agreement; or alternatively, if you default in the performance of any material obligation under any Franchise Agreement, we may allow you to continue operations of such Franchised Business under such Franchise Agreement, but you can forfeit your future development rights, and we can terminate the Multi-Unit Development Agreement.

f) If you suffer a violation of any law, ordinance, rule or regulation of a governmental agency in connection with the operation of the Morelia Store, and permit the same to go uncorrected after notification thereof, unless there is a bona fide dispute as to the violation or legality of such law, ordinance, rule or regulation, and you promptly resort to courts or forums of appropriate jurisdiction to contest such violation or legality.

g) If you or an owner of yours owning a 25% or more interest in you is convicted in a court of competent jurisdiction of an indictable offense punishable by a term of imprisonment in excess of one year.

h) If you, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days; or if the real or personal property of the business shall be sold after levy thereupon by any sheriff, marshal, or constable.

i) If you, or any shareholder or principal, if you are corporate entity, or any of your affiliates cease to operate all of the Morelia Stores developed pursuant to the terms of this Agreement.

2. Upon occurrence of any of the events stated in this Section, we may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, terminate this Agreement. Such termination shall be effective 30 days after written notice (or such other notice as may be required by applicable state law) is given by us to you of any of such events, if such defaults are not cured within such period:

a) If you shall use the System or Marks, or any other names, marks, systems, insignia, symbols or rights which are our property except pursuant to, and in accordance with, a valid and effective Franchise Agreement.

b) If you, or persons controlling, controlled by or under common control with you, shall have any interest, direct or indirect, in the ownership or operation of any business engaged in the sale of products or services similar to those permitted to be sold by you within the Development Area or in any business which looks like, copies or imitates the Morelia Store or operates in a manner tending to have such effect other than pursuant to a valid and effective Franchise Agreement with us.

c) If you fail to remit to us any payments pursuant to Section 2 when same are due.

d) If you shall begin work upon any Morelia Store at any site unless all the conditions stated in Section 3 hereof have been met.

e) If you fail to obtain our prior written approval or consent, including but not limited to site approval or site plan approval, as expressly required by this Agreement.

f) If you default in the performance of any other obligation under this Agreement.

g) If you open any Morelia Store for business before a Franchise Agreement for such Morelia Store has been fully executed and the initial fee due to us has been paid.

10. OBLIGATIONS FOLLOWING TERMINATION

1. Upon termination of this Agreement becoming effective for any reason, or upon expiration of the term hereof, you agree as follows:

a) To cease immediately any attempts to select sites on which to establish Morelia Stores.

b) To cease immediately to hold yourself out in any way as a Multi-Unit Developer of ours or to do anything which would indicate a relationship between you and us.

c) To immediately and permanently cease to use the Marks and distinctive forms, slogans, signs, and symbols associated with the Multi-Unit Developer program and the System. You shall also cease to use, without limitation, all signs, advertising materials, stationery, forms, and any other articles that display the Marks, except that you can continue to use the Marks pursuant to any Franchise Agreement with us that has not been terminated.

d) To promptly pay all sums owing to us and our affiliates under this Agreement. In the event of termination for any default by you, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees and expenses, incurred by us or such affiliates as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of us against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by you and on the premises used in your Multi-Unit Developer business. We shall have the right to set off any amount which it deems are payable to it by Multi-Unit Developer.

e) You shall comply with the covenants contained in Section 12 of this Agreement.

2. No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or in equity.

11. TRANSFER OF INTEREST

1. This Agreement is personal to you, and you shall neither sell, assign, transfer nor encumber this Agreement, the Development Rights, or any other interest hereunder, nor suffer or permit any such assignment, transfer or encumbrance to occur directly, indirectly or contingently by agreement or by operation of law without our prior written consent. You understand that this Agreement may not be pledged, mortgaged, hypothecated, given as security for an obligation or in any manner encumbered. The assignment or transfer of any interest, except in accordance with this Section 11 shall constitute a material breach of this Agreement.

2. In the event that you are a corporation or desire to conduct business in a corporate capacity, said corporate entity or assignment to a corporate entity (which may include a corporation, limited liability company or partnership) must receive our prior written approval and you agree to comply with the provisions hereinafter specified, including without limitation, personal guarantees by one or more equity owners of all of the obligations of said corporate entity or assignee corporate entity to us and other parties designated by us. The corporate entity or assignee corporate entity shall not engage in any business activities other than those directly related to the operation of the Morelia Stores pursuant to the terms and conditions of the Franchise Agreements with us, and all assets related to the operation of the Morelia Stores shall be held by the corporate entity or assignee corporate entity. There shall be no Transfer Fee charged by us for a one-time assignment to a corporate entity.

3. If you are a corporation or if your rights hereunder are assigned to a corporate entity, you or those individuals disclosed on Attachment "B" attached hereto shall be the legal and beneficial owner of not less than 51% of the outstanding equity of said entity and shall act as such entity's principal officer. The assignment to a corporate entity will not relieve you of personal liability to us for performance of any of the obligations under this Agreement. Any subsequent transfer of voting rights of the equity of the entity or assignee entity, and any transfer or issuance of equity of the entity or assignee entity shall be subject to our prior written approval. We agree that we will not unreasonably restrict the issuance or transfer of equity, provided that you comply with the provisions of this Section 11, and provided that in no event shall any equity of such corporate entity or assignee corporate entity be sold, transferred or assigned to a business competitor of ours. The articles of organization and governing documents (including by-laws, operating agreement or partnership agreement) of the entity or assignee entity shall reflect that the issuance and transfer of equity is restricted, and all certificates shall bear the following legend, which shall be printed legibly and conspicuously on each certificate:

"The transfer of this certificate is subject to the terms and conditions of a Multi-Unit Development Agreement with LEFAB Franchisor, LLC, dated _____. Reference is made to said Multi-Unit Development Agreement and related Franchise Agreements and to restrictive provisions of the governing documents of this entity."

4. The entity or assignee entity's records shall indicate that a stop transfer order shall be in effect against the transfer of any equity, except for transfers permitted by this Section 11. In addition to the foregoing, the equity of such entity or assignee entity shall not be publicly sold or traded. You are strictly prohibited from offering your securities through a public offering or private placement.

5. In the event of your death, disability or permanent incapacity, we shall consent to the transfer of all of the interest of you to your spouse, heirs or relatives, by blood or marriage, or if this Agreement was originally executed by more than one party, then to the remaining party(ies) who originally executed this Agreement, whether such transfer is made by your Last Will and Testament or by operation of law, provided that the requirements of Section 11 hereof have been met. In the event that your heirs do not obtain our consent as prescribed herein, your personal representative shall have a reasonable time to dispose of your interest hereunder, which disposition shall be subject to all the terms and conditions for transfers under this Agreement.

6. You have represented to us that you are entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the

Development Rights hereunder. Therefore, you agree that any attempt to assign this Agreement, prior to the time that at least 25% of the Morelia Stores to be constructed hereunder are opened or under construction, except pursuant to Sections 11.2 and 11.3 hereof, shall be deemed to be an event of default.

7. Except as provided in Section 11.7, if you receive from an unaffiliated third party and desire to accept a bona fide written offer to purchase your business, Development Rights and interests, we shall have the option, exercisable within 30 days after receipt of written notice setting forth the name and address of the prospective purchaser, the price and terms of such offer, and a copy of such offer and the other information stated in this Section, to purchase such business, Development Rights and interests, including your right to develop sites within the Development Area, on the same terms and conditions as offered by said third party. In order that we may have sufficient information to enable us to determine whether to exercise this option, we may require you to deliver to us certified financial statements as of the end of your most recent fiscal year and such other information about your business and operations as we may request. If we decline or do not accept the offer in writing within 30 days, you may, within 30 days from the expiration of the option period, sell, assign and transfer your business, Development Rights and interest to said third party, provided we have consented to such transfer as required by this Section 11. Any material changes in the terms of the offer prior to closing of the sale to such third party shall constitute a new offer, subject to the same rights of first refusal by us or our nominee, as in the case of an initial offer. Our failure to exercise the option afforded by this Section shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section with respect to the proposed transfer.

8. You acknowledge and agree that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Development Rights, the System and the Marks, as well as our reputation and image, and are for the protection of us, you and other multi-unit developers and franchisees. Any assignment or transfer permitted by this Section 11 shall not be effective until we receive a completely executed copy of all transfer documents, and we consent in writing thereto.

9. Except as provided herein, we agree not to unreasonably withhold our consent to a sale, assignment or transfer by you hereunder. Consent to such transfer otherwise permitted or permissible as reasonable may be refused unless:

a) All of your obligations created by this Agreement, all other franchise documents, including all Franchise Agreements, and the relationship created hereunder are assumed by the transferee.

b) All ascertained or liquidated debts of you to us or our affiliates are paid.

c) You are not in default hereunder.

d) We are reasonably satisfied that the transferee meets all of our requirements for new multi-unit developers, including but not limited to, good reputation and character, business acumen, operational ability, management skills, financial strength and other business considerations.

e) Transferee executes or, in appropriate circumstances, causes all necessary parties to execute, our standard form of Multi-Unit Development Agreement, Franchise Agreements for all Morelia Stores open or under construction hereunder, and such other then-

current ancillary agreements being required by us of new multi-unit developers on the date of transfer.

f) You execute a general release, in a form satisfactory to us, of any and all claims against us, our officers, directors, employees and principal stockholders of any and all claims and causes of action that you may have against us or any subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance thereof by us.

g) You or transferee pay to us a Transfer Fee in an amount greater of \$15,000 to cover our reasonable costs in effecting the transfer and in providing training and other initial assistance to transferees.

10. Upon the death or mental incapacity of any person with an interest of more than 50% in this Agreement or in you, the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by us within 12 months. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions stated in Section 11.1. hereof, the personal representative of the deceased shall have a reasonable time, not to exceed 12 months from the date said personal representative is appointed, to dispose of the deceased's interest in you or in the Development Rights, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. It is understood and agreed, however, that notwithstanding the foregoing, the Minimum Performance Schedule shall be complied with as though no such death or mental incapacity had occurred. In the event the interest described above is not disposed of within such time, we shall have the right to terminate this Agreement, provided such termination had not previously occurred for failure to perform pursuant to the Minimum Performance Schedule, upon 90 days' notice to your representative, or we shall have the right to re-purchase same at the same price being sought by your representative.

11. Our consent to a transfer of any interest in you or in the Development Rights pursuant to this Section shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferee.

12. We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (a) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (b) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of "LEFAB Franchisor, LLC" as Franchisor. Nothing contained in this Agreement

shall require us to remain in the health and fitness industry or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement.

12. COVENANTS

1. You covenant that during the term of this Agreement, except as otherwise approved in writing by us, you (or if Multi-Unit Developer is a corporation or partnership, the Operating Principal) or your manager shall devote full time, energy, and best efforts to the management and operation of the Multi-Unit Developer Business.

2. You and your owners covenant that during the term of this Multi-Unit Development Agreement you shall not, either directly or indirectly, for yourself, or in conjunction with others:

a) Divert or attempt to divert any business or customer of any franchised business operated under the System to any competitor or do any other act injurious or prejudicial to the goodwill associated with the System.

b) Employ or seek to employ any person who is at that time employed by us or any of our franchisees, or directly or indirectly induce such person to leave their employ.

c) Own, maintain, operate, affiliate with, or have an interest in any business (whether directly operating such a business or as a franchisee, area representative, developer, or otherwise) that is competitive with a Morelia Store.

3. You and your owners covenant that, except as otherwise approved in writing by us, you shall not, for a continuous uninterrupted period of two years from the date of: (a) a Transfer permitted under Section 11, above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 12.3.; either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any persons or entity, own, maintain, operate, engage in, develop or acquire any interest in any business that is competitive with a Morelia Store and, and which business is, or is intended to be, located (a) within the Development Area; (b) within a 5 mile radius of the Development Area; or (c) within 5 a mile radius of any Morelia Store operating under the System at the time of expiration or termination.

4. Sections 12.2. and 12.3. above shall not apply to ownership by Multi-Unit Developer of an interest in any business operated under the System under a franchise granted by us or of less than 5% beneficial interest in the outstanding equity securities of any publicly held entity.

5. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 12.

6. You understand and acknowledge that we shall have the right, in our sole

discretion, to reduce the scope of any covenant set forth in Sections 12.2. and 12.3. of this Agreement, or any portion thereof, without your consent, effective immediately upon receipt of written notice thereof; and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

7. You expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section 12. You agree to pay all costs and expenses (including reasonable attorneys' fees and expenses) incurred we incur in connection with the enforcement of this Section 12.

8. You shall require and obtain execution of covenants, in a form reasonably acceptable to us, of confidentiality and non-competition similar to those set forth elsewhere in this Agreement (including covenants applicable upon the termination of a person's relationship with you) from any or all of the following persons: (a) all managers of Multi-Unit Developer; (b) all officers, directors, and holders of a beneficial interest of 5% or more of the securities of Multi-Unit Developer, and of any entity directly or indirectly controlling Multi-Unit Developer, if Multi-Unit Developer is an entity; and (c) the general partners and any limited partners (including any entity, and the officers, directors, members, and holders of a beneficial interest of 5% or more of the securities of any entity that controls, directly or indirectly, any general or limited partner), if Multi-Unit Developer is a partnership. The covenants required by this Section 12 shall be in a form specified by us, including, without limitation, specific identification of us as a third-party beneficiary of such covenants with the independent right to enforce them.

9. You and your owners agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and your owners certify, represent, and warrant that none of your respective property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of your owners are otherwise in violation of any of the Anti-Terrorism Laws.

a) For the purposes of this Section 12.9, the following terms have the following meanings: (a) "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States ("Executive Order 13224"), the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control, and any other government agency with jurisdiction over the parties to this Agreement and/or their actions) addressing or in any way relating to terrorist acts and/or acts of war; (b) "**Owner**" means any person, partner, member, or shareholder who owns any direct or indirect interest in Multi-Unit Developer.

b) You and your owners certify that none of you, your respective employees, or anyone associated with any of them is listed in the Annex to Executive Order 13224 (the "Annex"), which is available at: <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.

You agree not to knowingly hire any individual who is listed in the Annex (or, if he or she is already employed, retain the employment of that individual). You also agree not to knowingly:

(a) establish a new relationship with a person as an employee, owner, banker, or otherwise who is listed in the Annex (whether or not we have consented to a Transfer involving such new owner); and (b) maintain a business relationship (whether with an employee, an owner, banker, or otherwise) with a person who is added to the Annex.

c) You certify that you have no knowledge or information that, if generally known, would result in you or your owners, your employees, or anyone else associated with you to be listed in the Annex to Executive Order 13224.

d) You understand that you are solely responsible for ascertaining what actions you must take to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in this Agreement also apply to your obligations under this Section 12.9.

e) Any misrepresentation by you under this Section or any violation of the Anti-Terrorism Laws by you, your owners, your employees, and/or their respective affiliates shall constitute grounds for immediate termination of this Agreement and any other agreement you have entered into with us or one of our affiliates.

13. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: LEFAB Franchisor, LLC
76 Miracle Mile
Coral Gables, Florida 33134
Attn.: Gilbert Arismendi

With a copy to: LEFAB Franchisor, LLC
76 Miracle Mile
Coral Gables, Florida 33134
Attn: Franchise Administration Department
Hello@paletasmorelia.com

Notices to the Multi-Unit Developer: _____

Any notice by certified or registered mail shall be deemed to have been given at the date and time of mailing.

14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

1. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an

independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

2. You shall hold yourself out to the public to be an independent contractor operating pursuant to this Agreement. You agree to take such actions as shall be necessary to that end.

3. You understand and agree that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we assume no liability for, nor shall be deemed liable by reason of, any act or omission of yours or any claim or judgment arising therefrom. You shall indemnify and hold us and our officers, directors, and employees harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with your activities hereunder, as well as the cost, including reasonable attorneys' fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Marks which are caused solely by our actions or actions caused by the negligent acts of us or our agents.

15. APPROVALS

1. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us, pursuant to Section 13, for such approval or consent, and, except as otherwise provided herein, any approval or consent granted shall be in writing.

2. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advise, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

16. NON-WAIVER

1. No failure of ours to exercise any power reserved to us under this Agreement or to insist upon compliance by you with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our rights to demand exact compliance with the terms of this Agreement. Our waiver of any particular default shall not affect or impair our right with respect to any subsequent default of the same or of a different nature; nor shall any delay, forbearance or omission of ours to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants of this Agreement affect or impair our rights, nor shall such constitute a waiver by us of any rights hereunder or rights to declare any subsequent breach or default.

17. SEVERABILITY AND CONSTRUCTION

1. Each covenant and provision of this Agreement shall be construed as independent of any other covenant or provision of this Agreement. The provisions of this Agreement shall be deemed severable.

2. If all or any portion of a covenant or provision of this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a decision to which we are a party, you expressly agree to be bound by any lesser covenant or provision imposing the maximum duty permitted by law which is subsumed within the terms of such covenant or provision, as if that lesser covenant or provision were separately stated in and made a part of this Agreement.

3. Nothing in this Agreement shall confer upon any person or legal entity other than us or you, and such of our respective successors and assigns as may be contemplated by Section 11 hereof, any rights or remedies under or by reason of this Agreement.

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

5. All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by you shall be deemed jointly and severally undertaken by all those executing this Agreement on your behalf.

6. This Agreement may be executed in multiple copies, each of which shall be deemed an original.

18. ENTIRE AGREEMENT; APPLICABLE LAW

1. This Agreement, the documents referred to herein and the Attachments attached hereto constitute the entire, full and complete agreement between us and you concerning the subject matter hereof and supersede any and all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

2. This Multi-Unit Development Agreement takes effect upon its acceptance and execution by us. Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 and the sections following it) or other federal law, this Agreement and the relationship created hereby are governed by Florida law, excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

3. Subject to the Arbitration provision below, you and we each consent and irrevocably submit to the exclusive jurisdiction and venue of the state and federal courts of competent jurisdiction for Miami-Dade County, Florida, and waive any objection to the jurisdiction and venue of such courts. This exclusive choice of jurisdiction and venue provision does not restrict the ability of the parties to confirm or enforce judgments or awards in any appropriate jurisdiction.

19. DISPUTE RESOLUTION

1. **Mediation. WITH THE EXCEPTION OF ANY CONTROVERSY OR CLAIM RELATING TO THE OWNERSHIP OR IMPROPER USE OF OUR MARKS OR CONFIDENTIAL INFORMATION, AND EXCEPT FOR EQUITABLE CLAIMS, THE PARTIES AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN OR INVOLVING US OR ANY OF OUR AFFILIATES (AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND YOU (AND YOUR**

AGENTS, REPRESENTATIVES AND/OR EMPLOYEES, AS APPLICABLE) ARISING OUT OF OR RELATED TO: (A) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN US AND YOU OR OUR AND YOUR RESPECTIVE AFFILIATES; (B) OUR RELATIONSHIP WITH YOU; (C) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU AND US OR OUR AND YOUR RESPECTIVE AFFILIATES; OR (D) ANY SYSTEM STANDARD, TO NON-BINDING MEDIATION AT A MUTUALLY AGREEABLE LOCATION (IF YOU AND WE CANNOT AGREE ON A LOCATION, THE MEDIATION WILL BE CONDUCTED AT OUR HEADQUARTERS) PRIOR TO BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL. THE MEDIATION SHALL BE CONDUCTED BY EITHER A MUTUALLY AGREED-UPON MEDIATOR OR, FAILING SUCH AGREEMENT WITHIN A REASONABLE PERIOD OF TIME (NOT TO EXCEED FIFTEEN (15) DAYS) AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS COMMERCIAL MEDIATION PROCEDURES. ABSENT AGREEMENT TO THE CONTRARY, THE MEDIATOR SHALL BE EXPERIENCED IN THE MEDIATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES. YOU AND WE AGREE THAT ANY STATEMENTS MADE BY EITHER YOU OR US IN ANY SUCH MEDIATION PROCEEDING WILL NOT BE ADMISSIBLE IN ANY SUBSEQUENT ARBITRATION OR LEGAL PROCEEDING. EACH PARTY WILL BEAR ITS OWN COSTS AND EXPENSES OF CONDUCTING THE MEDIATION AND SHARE EQUALLY THE COSTS OF ANY THIRD PARTIES WHO ARE REQUIRED TO PARTICIPATE. NEVERTHELESS, BOTH YOU AND WE HAVE THE RIGHT IN A PROPER CASE TO OBTAIN TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION. HOWEVER, THE PARTIES MUST IMMEDIATELY AND CONTEMPORANEOUSLY SUBMIT THE DISPUTE FOR NON-BINDING MEDIATION. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY THE WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING UNDER THIS SECTION 25. THE MEDIATION PROVISIONS OF THIS AGREEMENT ARE INTENDED TO BENEFIT AND BIND CERTAIN THIRD-PARTY NON-SIGNATORIES, AND ALL OF YOUR AND OUR OWNERS AND AFFILIATES.

2. Arbitration. ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, IF NOT RESOLVED BY THE NEGOTIATION AND MEDIATION PROCEDURES DESCRIBED ABOVE, MUST BE DETERMINED AT A MUTUALLY AGREEABLE LOCATION (IF YOU AND WE CANNOT AGREE ON A LOCATION, THE ARBITRATION WILL BE CONDUCTED AT OUR HEADQUARTERS) BY THE AMERICAN ARBITRATION ASSOCIATION (“AAA”). THIS ARBITRATION CLAUSE WILL NOT DEPRIVE US OF ANY RIGHT WE MAY OTHERWISE HAVE TO SEEK PROVISIONAL INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION. THE ARBITRATOR MUST HAVE SUBSTANTIAL EXPERIENCE IN FRANCHISE LAW AND WITH COMMERCIAL DISPUTES. THE PARTIES ASK THAT THE ARBITRATOR LIMIT DISCOVERY TO THE GREATEST EXTENT POSSIBLE CONSISTENT WITH BASIC FAIRNESS IN ORDER TO MINIMIZE THE TIME AND EXPENSE OF ARBITRATION. IF PROPER NOTICE OF ANY HEARING HAS BEEN GIVEN, THE ARBITRATOR WILL HAVE FULL POWER TO PROCEED TO TAKE EVIDENCE OR TO PERFORM ANY OTHER ACTS NECESSARY TO ARBITRATE THE MATTER IN THE ABSENCE OF ANY PARTY WHO FAILS TO APPEAR. BOTH PARTIES WAIVE ANY RIGHTS THEY MAY HAVE TO DEMAND TRIAL BY JURY OR TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. THE ARBITRATOR WILL HAVE NO POWER TO: (A) STAY THE EFFECTIVENESS OF ANY PENDING TERMINATION OF FRANCHISE; (B) ASSESS

PUNITIVE DAMAGES AGAINST EITHER PARTY; OR (C) MAKE ANY AWARD THAT MODIFIES OR SUSPENDS ANY LAWFUL PROVISION OF THIS AGREEMENT. THE PARTY AGAINST WHOM THE ARBITRATORS RENDER A DECISION MUST PAY ALL EXPENSES OF ARBITRATION. ANY COURT OF COMPETENT JURISDICTION MAY ENTER JUDGMENT UPON ANY AWARD.

3. **Notice and Opportunity to Cure.** As a mandatory condition precedent prior to your taking any legal or other action against us, whether for damages, injunctive, equitable or other relief (including, but not limited to, rescission), based upon any alleged act or omission of ours, you shall first give us 90 days prior written notice and opportunity to cure such alleged act or omission, or to resolve such matter.

4. **Governing Law.** Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 and the sections following it) or other federal law, this Agreement and the relationship created hereby are governed by Florida law, excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

5. **Jurisdiction and Venue.** You and we each consent and irrevocably submit to the exclusive jurisdiction and venue of the state and federal courts of competent jurisdiction for Miami-Dade County, Florida, and waive any objection to the jurisdiction and venue of such courts. This exclusive choice of jurisdiction and venue provision does not restrict the ability of the parties to confirm or enforce judgments or awards in any appropriate jurisdiction.

6. **Waiver of Jury Trial.** **YOU AND WE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN YOU AND US AND/OR YOUR AND OUR RESPECTIVE AFFILIATES.**

7. **Waiver of Punitive Damages** **EXCEPT FOR YOUR OBLIGATIONS TO US AND CLAIMS FOR UNAUTHORIZED USE OF THE MARKS OR CONFIDENTIAL INFORMATION, YOU AND WE EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AND WE ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING THE CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.**

8. **Limitations of Claims** **ANY AND ALL CLAIMS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE RELATIONSHIP BETWEEN YOU AND US MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE ACT OR EVENT GIVING RISE TO SUCH CLAIM OR ONE (1) YEAR FROM THE DATE ON WHICH YOU OR WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST, EXCEPT FOR CLAIMS FOR: (A) INDEMNIFICATION; OR (B) UNAUTHORIZED USE OF THE CONFIDENTIAL INFORMATION**

OR MARKS. HOWEVER, THIS PROVISION DOES NOT LIMIT OUR RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.

9. Specific Performance/Injunctive Relief. Nothing in this Agreement shall bar our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and your sole remedy, in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived).

10. Cumulative Rights and Remedies. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, to be exclusive of any other right or remedy provided or permitted in this Agreement, by law or at equity, but each right or remedy shall be cumulative of every other right or remedy. Nothing contained herein shall bar our right to obtain injunctive relief against threatened conduct that may cause us loss or damage, including obtaining restraining orders and preliminary and permanent injunctions.

11. Private Disputes. Any dispute and any litigation will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. Any such proceeding will not be consolidated with any other proceeding involving

20. TIMELY PERFORMANCE

You hereby acknowledge that your timely development of the Morelia Stores in the Development Area in accordance with the Minimum Performance Schedule is of material importance to us and you. You agree, as a condition of the continuance of the rights granted hereunder, to develop and open Morelia Stores within the Development Area in accordance with the Minimum Performance Schedule, to operate such Morelia Stores pursuant to the terms of the Franchise Agreements and to maintain all such Morelia Stores in operation continuously. We agree to diligently act upon any request of our approval from you and any material delay in your ability to meet the Minimum Performance Schedule which is directly caused by our failure to act diligently upon a request for approval shall not constitute a default hereunder. Further, a failure or delay in performance by any party to this Agreement shall not be a default hereunder if such failure or delay arises out of or results from a Force Majeure, which for purposes of this Agreement shall be defined as fire, flood, earthquake or other natural disasters, or acts of a public enemy, war, rebellion or sabotage. Force Majeure shall not include your lack of financing.

21. ACKNOWLEDGMENTS

1. You acknowledge and agree that LEFAB Franchisor, LLC shall have the right to operate the System as we determine is appropriate, including but not limited to making decisions of whether to enter into an agreement of any sort with any party (such as a prospective Franchisee), determining the terms of any agreement that we will enter into with any party (such as the provisions of a Franchise Agreement), determining whether and how to enforce its agreements (such as whether and when to bring actions to require payment in full by all parties, including Franchisees), and all other matters whatsoever pertaining to the System. You understand that you shall not have any right whatsoever to enforce or to require us to do business with any particular party, enter into any particular agreement, or to enforce the terms of any

particular Franchise Agreement.

2. You acknowledge that you have conducted an independent investigation of the Morelia business and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of you as an independent businessperson or business. We expressly disclaim the making of, and you acknowledge that you have not received, any warranty or guarantee, express or implied, orally or in writing, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

3. You acknowledge that you have read and understood this Agreement, the documents referred to in this Agreement and agreements relating thereto, if any; and that we have accorded you ample time and opportunity to consult with advisors and/or attorneys of your own choosing about the potential benefits and risks of entering into this Agreement.

4. You acknowledge and agree that we have in the past, and may in the future, modify the offer of its licenses to other multi-unit developers in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that differ from the terms, conditions, and obligations in this Agreement.

5. You acknowledge that you received the franchise disclosure document (FDD) required by the Federal Trade Commission Franchise Rule at least 14 calendar days prior to the date on which this Agreement was executed or any consideration was paid to us.

6. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

7. You acknowledge that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, his/her active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty expressing or implied as to the potential success of the business venture contemplated hereby.

8. We expressly disclaim the making of, and you acknowledge that you have not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

22. EFFECTIVE DATE

This Agreement shall be effective as of the date it is executed by us.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement in triplicate on the day and year first above written.

LEFAB FRANCHISOR, LLC

WITNESS

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

MULTI-UNIT DEVELOPER:

WITNESS

By: _____
Name: _____
Title: _____

LEFAB FRANCHISOR, LLC MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT "A"

CERTIFICATION BY MULTI-UNIT DEVELOPER

The undersigned, personally and as an officer or partner, as applicable, of _____ ("Multi-Unit Developer") does hereby certify that he has conducted an independent investigation of the business contemplated by this Multi-Unit Development Agreement and the Morelia Stores Franchise Agreement, and that the decision to execute the Multi-Unit Development Agreement was based entirely upon the independent investigation by the undersigned; and the undersigned further certifies that he has not relied upon, in any way, any claims regarding potential sales, income, or earnings to be derived from the business contemplated by the Franchise Agreement and Multi-Unit Development Agreement, and has not relied upon any claims regarding past or current sales, income or earnings of Franchisor-operated Morelia Stores, except as may be included in Item 19 of the Franchise Disclosure Document heretofore provided to Multi-Unit Developer. The undersigned further certified that he understands the risks involved in this investment and LEFAB Franchisor, LLC makes no representation or guaranty, explicit or implied that the Multi-Unit Developer will be successful or will recoup his investment.

IN WITNESS WHEREOF, the undersigned has signed, sealed and delivered this Certificate this _____ day of _____, 20__.

_____ WITNESS	_____
_____ WITNESS	_____
_____ WITNESS	_____

Each of the undersigned owns a 5% or greater beneficial interest in Multi-Unit Developer, each has read this Multi-Unit Development Agreement, and each agrees to be individually bound by all obligations of Multi-Unit Developer hereunder.

_____ WITNESS	_____
_____ WITNESS	_____
_____ WITNESS	_____

LEFAB FRANCHISOR, LLC MULTI-UNIT DEVELOPMENT AGREEMENT

**ATTACHMENT "B"
GUARANTY**

(TO BE EXECUTED ONLY IF MULTI-UNIT DEVELOPER IS A CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP)

In consideration of the execution by LEFAB Franchisor, LLC of the annexed Multi-Unit Development Agreement, and acknowledging that undersigned will benefit directly or indirectly from the execution thereof, the undersigned, being all of the shareholders, directors, and officers of _____ ("Multi-Unit Developer"), agree to be jointly and severally bound by and agree to guaranty the performance of all of the terms and conditions of the Multi-Unit Development Agreement and any amendments thereto or renewals thereof, and do hereby execute this Multi-Unit Development Agreement for the purpose of binding and obligating themselves to the terms and conditions of the aforesaid Multi-Unit Development Agreement and any amendments thereto or renewals thereof.

The guarantors hereby waive notice of termination or default under the Multi-Unit Development Agreement.

SIGNATURES OF ALL SHAREHOLDERS, DIRECTORS, OFFICERS,
MEMBERS AND PARTNERS, AS APPLICABLE

WITNESS

WITNESS

WITNESS

Each of the undersigned owns a 5% or greater beneficial interest in Multi-Unit Developer, each has read this Multi-Unit Development Agreement, and each agrees to be individually bound by all obligations of Multi-Unit Developer hereunder.

WITNESS

WITNESS

WITNESS

LEFAB FRANCHISOR, LLC MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT "C"

**TRANSFER OF A FRANCHISE TO
A CORPORATION OR LIMITED LIABILITY COMPANY**

This Transfer Agreement shall amend that certain Multi-Unit Development Agreement between _____ ("Multi-Unit Developer") and LEFAB Franchisor, LLC ("Franchisor").

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the Corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below, and the Multi-Unit Developer of the Morelia Stores under a Multi-Unit Development Agreement executed on the date set forth below, between himself or herself and Franchisor, granting him/her a franchise to operate in the Development Area set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Multi-Unit Developer constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Multi-Unit Development Agreement to the Corporation or Limited Liability Company in accordance with the provisions of Section 11 of the Multi-Unit Development Agreement, agree as follows:

1. The undersigned Multi-Unit Developer shall remain personally liable in all respects under the Multi-Unit Development Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Multi-Unit Development Agreement including the restrictive covenants contained in Section 12 thereof, to the same extent as if each of them were the Multi-Unit Developer set forth in the Multi-Unit Development Agreement and they jointly and severally personally guarantee all of the Multi-Unit Developer's obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

"The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Multi-Unit Development Agreement dated _____, 20__ between and LEFAB Franchisor, LLC"

or

"The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Multi-Unit Development Agreement dated _____, 20__ between and LEFAB Franchisor, LLC"

3. _____ or his designee shall devote his best efforts to the day-to-day operation and development of the Morelia Stores.

4. _____ hereby agrees to become a party to and to be bound by all of the provisions of the Multi-Unit Development Agreement executed on the date set forth below

between Multi-Unit Developer and Franchisor, to the same extent as if it were named as the Multi-Unit Developer therein.

Date of Multi-Unit Development Agreement: _____

Development Area for Morelia Stores: _____

WITNESS:

As to Paragraph 3:

[Name]

As to Paragraph 4:

[Name]

ATTEST:

Name of Corp. or Limited Liability Company

By: _____

Title: _____

In consideration of the execution of the above Agreement, LEFAB Franchisor, LLC hereby consents to the above referred to assignment on this ____ day of _____, 20__.

LEFAB FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

LEFAB FRANCHISOR, LLC MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT "D"

MINIMUM PERFORMANCE SCHEDULE

The Agreement authorizes and obliges Multi-Unit Developer to establish and operate _____ (___) Morelia Stores pursuant to a Franchise Agreement for each Morelia Store. The following is Multi-Unit Developer's Minimum Performance Schedule:

Minimum Cumulative Number
of Franchise Agreements for
Morelia Stores to be located
and Operating
Within the Development Area

By this Date

Total: _____

The Minimum Performance Schedule shall be deemed completed, and this Agreement shall expire, upon the opening of the final Morelia Store to be developed pursuant to this Agreement.

APPROVED:

MULTI-UNIT DEVELOPER

LEFAB FRANCHISOR, LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

LEFAB FRANCHISOR, LLC MULTI-UNIT DEVELOPMENT AGREEMENT

ATTACHMENT "E"

"DEVELOPMENT AREA"

The following describes the Development Area within which Multi-Unit Developer may locate Morelia Stores under this Agreement:

APPROVED:

MULTI-UNIT DEVELOPER

By: _____
Name: _____
Title: _____

LEFAB FRANCHISOR, LLC

By: _____
Name: _____
Title: _____

EXHIBIT “D” TO THE DISCLOSURE DOCUMENT

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Operations Manual Table of Contents

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EXHIBIT "E" TO THE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA AND RIDERS

STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES

The following modifications are made to the LEFAB FRANCHISOR, LLC ("Franchisor," "us," "we," or "our") Franchise Disclosure Document ("FDD") given to franchisee ("Franchisee," "you," or "your") and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 20____ ("Franchise Agreement"). When the term "Franchisor's Choice of Law State" is used, it means Florida. When the term "Supplemental Agreements" is used, it means Multi-Unit Development Agreement.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum ("State Addendum") will modify these agreements to comply with the state's laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

CALIFORNIA

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.

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD 14 days prior to execution of agreement.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement and the Area Development Agreement contain provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Florida. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or Multi-Unit Development Agreement restricting venue to a forum outside the State of California. The Franchise Agreement contains a mediation provision. The parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator's fees.

The Franchise Agreement and Multi-Unit Development Agreement require the application of the law of Florida. This provision may not be enforceable under California law.

Neither Franchisor nor any other person listed in Item 2 of the FDD 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 such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Area Development Agreement contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement and Multi-Unit Development Agreement provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement and the Multi-Unit Development Agreement contain a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Multi-Unit Development Agreement may not be enforceable.

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

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 or by email to Ask.DFPI@dfpi.gov.

Item 6 is revised to state: Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

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.

HAWAII

The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS 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 IN THIS FRANCHISE DISCLOSURE DOCUMENT 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 YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE 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 US AND YOU.

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
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in the exhibit of the FDD on the page entitled, "State Effective Dates."
2. States which have refused, by order or otherwise, to register these Franchises are: None
3. States which have revoked or suspended the right to offer the Franchises are: None
4. States in which the proposed registration of these Franchises has been withdrawn are: None

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.

ILLINOIS

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “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.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

Item 17.w, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three years after the act or transaction constituting the violation upon which it is based, the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

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.

INDIANA

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The "Summary" column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two years within the Territory.

The "Summary" column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The "Summary" column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor's Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The "Summary" column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor's Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor's Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

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.

IOWA

Any provision in the Franchise Agreement or Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

NOTICE OF CANCELLATION

enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the

contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Lefab Franchisor, LLC, 76 Miracle Mile, Coral Gables, Florida 33134 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: _____

By: _____

Print Name: _____

Its: _____

Date: _____

MARYLAND

AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENTS AND AREA DEVELOPMENT AGREEMENT

Item 17 of the FDD and the Franchise Agreement are amended to state: "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."

Representations in the Franchise Agreement and Area Development Agreement 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.

Item 17 of the FDD and sections of the Franchise Agreement and Area Development Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise.

The Franchise Agreement and Franchise Disclosure Questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or

waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

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.

(a)

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.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

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

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

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

(e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us 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 our then-current reasonable qualifications or standards.

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

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

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

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

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
525 W. Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

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.

MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.

7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.

8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
9. Item 6 of the FDD and applicable section of the Franchise Agreement is hereby amended to limit the Non-sufficient Funds Fee to \$30 per occurrence pursuant to Minnesota Statute 604.113.
10. 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.

NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT 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 FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT 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:

With the exception of what is stated above, the following applies 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 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

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any section of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 18 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

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.

OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials _____ Date _____

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Lefab Franchisor LLC, 76 Miracle Mile, Coral Gables, Florida 33134 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

Date: _____

By: _____

Print _____

Name: _____

Its: _____

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all

other documents signed by them, including, but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration 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.

SOUTH DAKOTA

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.

VIRGINIA

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Lefab Franchisor, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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.

WASHINGTON

ADDENDUM TO FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT, AND FRANCHISE DISCLOSURE DOCUMENT

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 \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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 liquidated damages provision in a Franchise Agreement may be construed as a penalty under Washington law if the amount is found to bear no reasonable relation to actual damages. As a result, the following amended liquidated damages provision replaces the current provision contained in Item 6 of the FDD and the Franchise Agreement to remove Brand Fund Contributions from the calculation of liquidated damages for Washington franchisees: "Liquidated damages are

determined by multiplying the combined monthly average of Royalties (without regard to any fee waivers or other reductions) that are owed by you to us, beginning with the date you open your Franchised Business through the date of early termination, multiplied by the lesser of: (i) 36; or (ii) the number of months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$30,000.”

RCW 19.100.180(1) provides that the franchisor deal with the franchisee in good faith. As a result, any such provisions contained in the franchise agreement that modify this covenant to be inconsistent with RCW 19.100.180(1), including section 31.10 or elsewhere, may be void and unenforceable in Washington and is hereby removed from the franchise agreement.

Under Washington law, non-compete covenants are enforceable only if they are reasonable and lawful. The Confidentiality and Noncompetition Agreement contained in Exhibit H-3 of the Franchise Disclosure Document is revised to state that such provisions may not apply in Washington.

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.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

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.

(Signatures on following page)

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- California
- Hawaii
- Illinois
- Iowa
- Indiana
- Maryland

- Michigan
- Minnesota
- New York
- North Dakota
- Ohio

- Rhode Island
- South Dakota
- Virginia
- Washington
- Wisconsin

Dated: _____, 20____

FRANCHISOR:

LEFAB FRANCHISOR, LLC

By:

FRANCHISEE:

By:

Title: _____

EXHIBIT "F" TO THE DISCLOSURE DOCUMENT

**ROSTER OF CURRENT AND FORMER FRANCHISEES
AS OF DECEMBER 31, 2024**

ROSTER OF CURRENT AND FORMER FRANCHISEES

1. **Operational Franchisees.** The following are the names, addresses and telephone numbers of all Morelia franchisees as of December 31, 2024 who are operational:

Name and Address of Licensee	Telephone Number	Store
Gourmet Paletas, LLC 3722 NE 199 street Aventura, FL 33180	Benjamin Blank 786-825-3027 (Wynwood, FL)	Wynwood, FL
Translex Corporation 3330 NE 190th Street, Suite 2311 Aventura, FL 33180	Neil Goodman 305-469-8900 (Surfside, FL)	Surfside, FL
GP Aventura Commons, LLC 3722 NE 199th Street Aventura, FL 33180	Benjamin Blank 786-825-3027 (Aventura Commons, FL)	Aventura Commons, FL
DK Desserts Boca, LLC 23313 Lago Mar Circle Boca Raton, FL 33433	Jordan Krams 786-210-7130 (Boca Ratón, FL)	Boca Raton, FL
Noma Gourmet, LLC, 6414 Ciscayne Place, Charlotte, NC 28211	Norberto Muñoz 305-606-1531 (Charlotte, NC)	Charlotte, NC
Noma Gourmet BRK, LLC 6414 Ciscayne Place Charlotte, NC 28211	Norberto Munoz (305) 606-1531 (Huntersville, NC)	Huntersville, NC
Raenin Dreams LLC 662 Ten Eyck Avenue, Lyndhurst, NJ 07071	Harold Campo (201) 983-7376 (Hoboken, NJ)	Hoboken, NJ
Eagle Rock Ventures, LLC 2147 SC-160 #103, Fort Mill, SC 29708	Jeffery Asiedu (347) 604-0319	Fort Mill, SC
VAMA Investment, LLC 9903 South Highway 6, #135 Sugarland, TX 77498	Smit Patel	Houston, TX
MOMA Investment, LLC The Florida Mall, 8001 S. Orange Blossom Trail, #1308 Orlando, FL 32809	Juliana Martinez (407) 613-0179	Orlando, FL
LMI Investments LLC 4991 Bonsai Circle #105 Palm Beach Gardens, FL 33418	Liliana Consuegra (954) 636-7523	West Palm Beach, FL
Windy Appe, LLC 6271 Chimney Bluff Road Lancaster, SC 29720	Kenneth Thornton (847) 714-2033	Forest Acres, SC
Mode Group Enterprise, Inc. Spotsylvania Towne Centre, 137 Spotsylvania Mall Dr. Unit	Shalin Desai (862) 812-8793	Fredericksburg, VA

9083T, Fredericksburg, VA 22407		
AS POPS, LLC 1435 1 ST Ave. New York, NY 10023	Ariel Bick (917) 797-4338	Upper East Side, NY
Raenin Dreams LLC 932 Washington St. Hoboken, NJ 07030	Letisia Campo (201) 388-0383	Hoboken, NJ
NOMA Gourmet RLG, LLC 500 West Street, #135 Raleigh, NC 27603	Norberto Munoz (305) 606-1531	Raleigh, NC

1. **Operational Licensees.** There are no operational Morelia licensees in the United States.
2. **Franchises Executed but Not Yet Operational.** The following are the names, addresses and telephone numbers of all Morelia franchisees as of December 31, 2024 who are not yet operational but have signed a franchise agreement:

Name and Address of Licensee	Telephone Number
Windy Appe, LLC 6271 Chimney Bluff Road Lancaster, SC 29720*	Kenneth Thornton (847) 714-2033 (Columbia, SC)

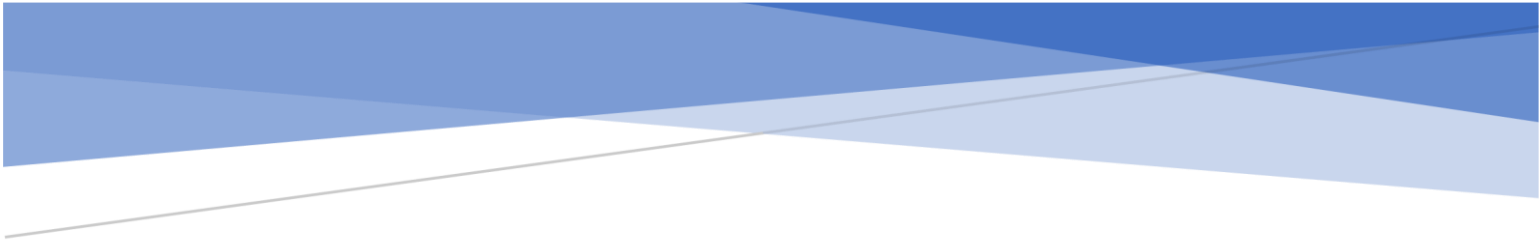
*This unit in South Carolina opened in January 2025.

3. **Former Franchisees.** The following are the names, last known home addresses and home telephone numbers of all franchisees and/or licensees that have been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Morelia Franchise Agreement during the most recently completed fiscal year (since January 1, 2024) or who have not communicated with us within 10 weeks of the effective date of this Franchise Disclosure Document:

Sonsaka Ice LLC 15501 Honeybell Drive Winter Garden, FL 34787	Jesus Bisogno 321-333-9338
Horizon Retail Services, LLC 314 SE 19 Terrace Cape Coral FL 33990	Lisandra Pulido 239-464-5377
GP Aventura I, LLC 3722 NE 199 street Aventura, FL 33180	Benjamin Blank 786-825-3027 (Aventura Mall)
GP Doral Yards, LLC 3722 NE 199th Street Aventura, FL 33180	Benjamin Blank 786-825-3027 (Doral, FL)
GP Lenox, LLC, 3722 NE 199th Street Aventura, FL 33180	Benjamin Blank 786-825-3027 (Miami Beach, FL)

EXHIBIT "G" TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS



LEFAB FRANCHISOR, LLC
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

LAWRENCE D SEKAJIPO, CPA, JSM

LEFAB FRANCHISOR, LLC

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Independent Auditor's Report

The Board of Directors of
Lefab Franchisor, LLC
Coral Gables, FL

Report on the Financial Statements

We have audited the initial accompanying balance sheet of Lefab Franchisor, LLC, as of December 31, 2024, and the related statements of income, changes in member's equity, and cash flows for the year then ended, and the related notes to the financial statements. and, in our report dated May 2, 2025, we expressed an unqualified opinion.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lefab Franchisor, LLC as of December 31, 2024, and the results of their operations and cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

CPA Advisory & Business Consultants
Orlando, Florida

May 2, 2025

Lefab Franchisor, LLC

BALANCE SHEET

Dec 31, 2024

Assets

		2024
Current Assets		
BOA - 8568	NOTE 2	\$ 8,211
Accounts Receivable	NOTE 3	16,740
Food Inventory		<u>1,745</u>
Total Current Assets		26,696
Property and Equipment	NOTE 5	
Furniture and Equipment		13,054
Waffle Cone Maker		400
Accumulated Depreciation		<u>(9,194)</u>
Total Property and Equipment		4,259
Other Assets		
N/R Lefab Gourmet Corp	NOTE 4	137,724
Gift Card Prepays		<u>689</u>
Total Other Assets		<u>138,413</u>
Total Assets		<u>\$ 169,369</u>

Lefab Franchisor, LLC

BALANCE SHEET

Dec 31, 2024

Liabilities and Stockholders' Equity

Current Liabilities

BoA MasterCard - 2874	Note 9	\$	893
Taxes- Federal Payable	Note 8		208,666
St of FL Taxes Payable	Note 8		<u>26,927</u>

Total Current Liabilities **236,486**

Long-Term Liabilities

Capital Contribution			1,955
Lefab Commercial II, LLC			<u>112</u>

Total Long-Term Liabilities **2,067**

Total Liabilities **238,553**

Stockholders' Equity Note 10

Members Draw		(394,408)
Members Equity		(34,619)
Net Income		<u>359,842</u>

Total Stockholders' Equity **(69,184)**

Total Liabilities and Stockholders' Equity **\$ 169,369**

Lefab Franchisor, LLC
STATEMENT OF INCOME

Year Ended Dec 31, 2024

	Dec 31, 2024
Revenue Note 6	
Sales	\$ 4,236
Initial Franchise fee	70,000
Marketing Royalty Fees	155,874
Computer and Internet Exp.(I)	65,221
Royalties Revenue	<u>309,250</u>
Total Revenue	604,581.20
Cost of Goods Sold	
Merchant Account Fees	<u>2,359.39</u>
Total Cost of Goods Sold	<u>2,359.39</u>
Gross Profit	602,221.81
Operating Expenses	
Advertising and Promotion	4,893
Bad Debts	2,263
Bank Service Charges	24
Business Licenses and Permits	1,191
Computer and Internet Expenses	50,657
Depreciation Expense	621
Dues and Subscriptions	1,125
Interest Expense	976
Professional Fees	<u>52,083.71</u>
Total Operating Expenses	<u>113,833</u>
Operating Income (Loss)	488,388
Other Income	
Other Income	<u>1,192</u>
Total Other Income	1,192
Income (Loss) Before Income Taxes	489,581
Income Tax	<u>129,739</u>
Net Income (Loss)	<u><u>359,842</u></u>

Lefab Franchisor, LLC
STATEMENT OF CASH FLOWS
Year Ended Dec 31, 2024

Dec 31, 2024

Cash Flows from Operating Activities

Net Income

Net Income (Loss) \$ 359,841.81

Total Net Income **359,842**

Adjustments to Net Income

Adjustments to reconcile Net Income (Loss) to net Cash:

(Increase) Decrease in:

Accounts Receivable (15,210)

Increase (Decrease) in:

BoA MasterCard - 2874 (9,333)

Taxes- Federal Payable 102,812

St of FL Taxes Payable (26,927)

Total Adjustments **51,342**

Net Cash Provided By (Used In) Operating Activi **411,184**

Cash Flows from Investing Activities

Accumulated Depreciation 621

N/R Lefab Commercial Houston I 20,000

N/R Lefab Gourmet Corp (108,524)

Gift Card Prepays (612.08)

Net Cash Provided By (Used In) Investing Activit **(88,515)**

Cash Flows from Financing Activities

Members Draw (394,408)

Net Cash Provided By (Used In) Financing Activi **(394,408)**

Net Increase (Decrease) in Cash **(71,739)**

Cash at Beginning of Period

Cash at Beginning of Period 25,984

Total Cash at Beginning of Period **25,984**

Cash at End of Period **(45,755)**

LEFAB FRANCHISOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 1- ORGANIZATION AND NATURE OF THE BUSINESS

The company was organized under the law of the state of Florida as a Limited Liability Company on March 26, 2019. Is a subsidiary of LEFAB GOURMET CORP MORELIA GOURMET PALETAS, the parent company. The Company developed a proprietary system related to the establishment, development, and operation of retail stores (“Morelia Stores”) that primarily sell premium desserts and other frozen novelties under the brand of Morelia Gourmet Paletas. The Company grants the right to develop and operate a Morelia Store to qualified candidates (Franchisees) upon signing a franchise agreement and approving the retail location.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements of Lefab Franchisor, LLC have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The financial statements include the operations, assets and liabilities of the Company. In the opinion of the Company's management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals, necessary to fairly present the accompanying financial statements.

*Cash and Cash Equivalent*s - For purposes of the statement of cash flows, Lefab Franchisor, LLC considers all checking and overnight investment accounts to be cash equivalents. As of December 31, 2022, the Company had cash of \$8,211 maintained in various U.S. bank accounts, of which all U.S. bank account balances were below the \$250,000 FDIC coverage limit.

Use of Estimates - The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period in which they are determined to be necessary.

NOTE 3 – Accounts Receivables

Accounts receivable (note 3)

16,740

Receivables are due from franchisee, for royalties, marketing fees and other fees associated with the franchise fee or items sold from the parent company.

NOTE 4: OTHER ASSETS & TRANSACTIONS WITH RELATED PARTIES ¹

Management recorded the following as other assets as of December 31, 2024:

N/R Lefab Gourmet Corp	\$137,724
Gift Card Prepays	\$689

The note receivable from Lefab Commercial and Lefab Gourmet, are related party, LEFAB GOURMET CORP is an installment note bearing annual interest at 0.00 percent, payable monthly, with the principal payable in annual installments of \$0,

NOTE 5 – Property Plant and Equipment²

Property & Equipment - Property and equipment is recorded at cost. Depreciation calculated by the straight-line method over the estimated useful lives of the assets which is typically five years. Maintenance and repairs are charged to operations when incurred. When equipment is sold or otherwise disposed of, the asset account and related depreciation are relieved, and any gain or loss is included in operations.

Property and Equipment at December 31, 2024 consist of the following:

Furniture & Equipment	13,454
Less: Accumulated Depreciation	<u>(9,194)</u>
Property & Equipment	4,259

Note 6 - Revenue Recognition³

Revenue and Expense Recognition- the Company recognizes revenues from franchise, marketing, royalties and Initial fees collected from franchisee. Upfront fees are recognized over the estimated period that the related services are performed. Transaction-related fees are recognized when all services for a transaction have been provided, specified conditions have been met and the transaction closes. Underwriting revenues are recognized when the offering is deemed complete and is presented net of related expenses. Deferred revenues are recorded for

¹ According to ASC 850, Related-Party Disclosures, financial statements are required to disclose material related-party transactions other than compensation arrangements, expense allowances, or other similar items that occur in the ordinary course of business.

² ASC 360, Property, Plant, and Equipment general, which provides guidance on accounting and reporting on property, plant, and equipment, including accumulated depreciation, and impairment or disposal of long-lived assets. Property, plant, and equipment are some of the most significant items in the statement of financial position and usually represent a substantial investment by the entity.

³ ASC 606 The core principle of the new revenue standard is that an "entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

fees received that have not yet been earned. Expenses are reflected on the statements of operations, net of client reimbursements.

Note 7- Leases

The company leases a building from where they plan to establish the training school and the main office. The lease agreement is for a term of 300 month expiring Nov 30, 2043.

The minimum lease payments under the operational lease agreement are as follows:

Year Ending December 31		
	2024	\$
	Thereafter	\$

Note 8 - Income Taxes

There is a provision for income taxes because the company has elected to be treated as an C Corporation beginning March 26, 2019. Under the current tax law, the C Corporation pay income taxes, at a corporate level, at a 21% Federal tax rate and a State of Florida piggyback tax rate of 5.5%, the stockholder pays their shares of the income taxes, on dividends distributed from the entity. The amount of \$102,812 & 26,927 recorded on the notes to financial statements and have been accrued and record to the financial Statetments.

Note 9 - Note Payables⁴

The Note payable on purchases of company vehicles and other equipment as of December 31, 2022, amounted to:

Note 1 BoA MasterCard - 2874	\$893
Total Note Payable	\$893

The note payable to Bank of America consist of a business credit card payable installments in the amount of \$ 25.00 bearing on interest rate of 18.99 percent. The Interest paid in 2024, was 0, with a credit balance limit of \$8,000.

⁴ ASC 470-50-40-1 states "the general guidance for the extinguishment of liabilities is contained in Subtopic 405-20 and defines transactions that the debtor shall recognize as an extinguishment of a liability." Per ASC 405-20-40-1: "A debtor shall derecognize a liability if and only if it has been extinguished. A liability has been extinguished if either of the following conditions is met.

:

Note 10 – Equity Membership interests in the Company are represented by the following series: one-thousand-member units, have equal voting rights.

Member Unit

0

Note 11 – Subsequent Events

The Corporation has evaluated subsequent events through May 23, 2023, the date which the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through May 23, 2023 that would require adjustments to, or disclosure in, the financial statements.



Lefab Franchisor, LLC

May 2, 2025

CPA Advisory & Business Consultants
P O Box 622521
Orlando, FL 32862-2521

We are providing this letter in connection with your audit of the balance sheet of Lefab Franchisor, LLC as of December 31, 2024 and the related statements of income and expenses and cash flows for the period then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States (U.S.GAAP). We confirm that we are responsible for the fair presentation in the financial statements of balance sheet, statement of income and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, (as May 2, 2025), the following representations made to you during your audit(s):

The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the organization's control.

1. We have made available to you all—
 - a. Financial records and related data.
 - b. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
3. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken.
4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.



5. We have no knowledge of any fraud or suspected fraud affecting the Organization involving—

a. Management,

b. Employees who have significant roles in internal control, or

c. Others where the fraud could have a material effect on the financial statements.

6. We have no knowledge of any allegations of fraud or suspected fraud affecting the organization received in communications from employees, former employees, grantors, regulators, or others.

7. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.

8. The following, if any, have been properly recorded or disclosed in the financial statements:

a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

b. Guarantees, whether written or oral, under which the Organization is contingently liable.

9. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

10. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.

11. There are no—

a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *Statement of Financial Accounting Standards No. 5, Accounting for Contingencies*.

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by *Statement of Financial Accounting Standards No. 5*.

d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.

12. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.

13. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grand agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

14. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signed: *Gilbert Arismendi*
Gilbert Arismendi (May 2, 2025 15:50 ADT)

Title: General Manager

Date: 5/2/2025


LEFAB FRANCHISOR LLC - 2024 Audited Financial Statements

Final Audit Report

2025-05-02

Created:	2025-05-02
By:	David Olivencia (david@professionalaccountinggroupllc.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAeOYug-01Snoncu9FktkYXJ0ZSbZ-qSeL

"LEFAB FRANCHISOR LLC - 2024 Audited Financial Statements" History

 Document created by David Olivencia (david@professionalaccountinggroupllc.com)

2025-05-02 - 5:32:37 PM GMT

 Document emailed to diego@paletasmorelia.com for signature

2025-05-02 - 5:33:08 PM GMT

 Email viewed by diego@paletasmorelia.com

2025-05-02 - 6:44:27 PM GMT

 Signer diego@paletasmorelia.com entered name at signing as Gilbert Arismendi

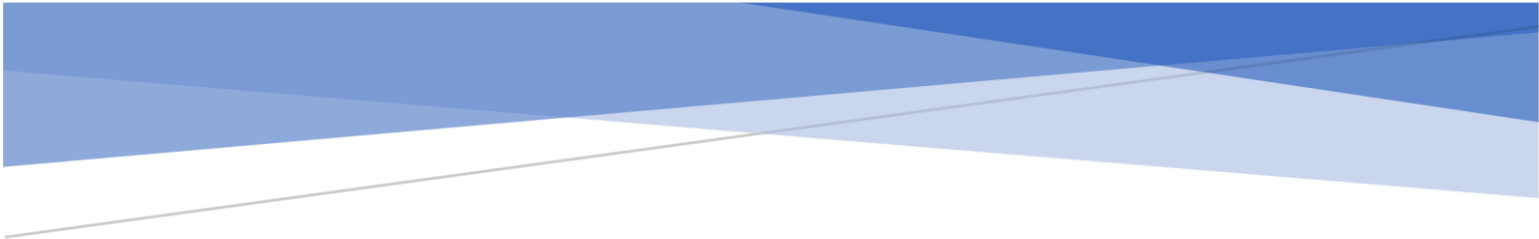
2025-05-02 - 6:50:14 PM GMT

 Document e-signed by Gilbert Arismendi (diego@paletasmorelia.com)

Signature Date: 2025-05-02 - 6:50:16 PM GMT - Time Source: server

 Agreement completed.

2025-05-02 - 6:50:16 PM GMT



LEFAB FRANCHISOR, LLC
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

LAWRENCE D SEKAJIPO, CPA, JSM

LEFAB FRANCHISOR, LLC

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Independent Auditor's Report

The Board of Directors of
Lefab Franchisor, LLC
Coral Gables, FL

Report on the Financial Statements

We have audited the initial accompanying balance sheet of Lefab Franchisor, LLC, as of December 31, 2023, and the related statements of income, changes in member's equity, and cash flows for the year then ended, and the related notes to the financial statements. and, in our report dated March 8, 2024, we expressed an unqualified opinion.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lefab Franchisor, LLC as of December 31, 2023, and the results of their operations and cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

CPA Advisory & Business Consultants
Orlando, Florida

March 8, 2024

Lefab Franchisor, LLC
BALANCE SHEET
For the Year Then Ended

December 31, 2023

Assets	2023
Current Assets	
BOA - 8568	\$ 25,983.71
Accounts Receivable	1,530.33
Food Inventory	<u>1,744.76</u>
Total Current Assets	29,258.80
Property and Equipment	
Furniture and Equipment	13,053.75
Waffle Cone Maker	400.00
Accumulated Depreciation	<u>(8,573.00)</u>
Total Property and Equipment	4,880.75
Other Assets	
N/R Lefab Commercial Houston I	20,000.00
N/R Lefab Gourmet Corp	29,200.00
Gift Card Prepays	<u>76.95</u>
Total Other Assets	<u>49,276.95</u>
Total Assets	<u>\$ 83,416.50</u>

Lefab Franchisor, LLC

BALANCE SHEET

For the Year Then Ended

December 31, 2023

Liabilities and Stockholders' Equity

Current Liabilities

BoA MasterCard - 2874	\$	10,226.38
Taxes- Federal Payable		<u>105,853.62</u>

Total Current Liabilities **116,080.00**

Long-Term Liabilities

Capital Contribution		<u>1,955.00</u>
----------------------	--	-----------------

Total Long-Term Liabilities **1,955.00**

Total Liabilities **118,035.00**

Stockholders' Equity

Members Draw	(471,805.00)
Members Equity	77,564.11
Net Income	<u>359,622.39</u>

Total Stockholders' Equity **(34,618.50)**

Total Liabilities and Stockholders' Equity **\$ 83,416.50**

Lefab Franchisor, LLC
STATEMENT OF INCOME
For the Year The Ended December 31, 2023

	Dec 31, 2023
Revenue	
Sales	\$ 7,531.99
Technology Fees	35,267.23
Initial Franchise fee	120,000.00
Marketing Royalty Fees	120,348.75
Royalties Revenue	240,234.25
Returns and Allowances	<u>(539.00)</u>
Total Revenue	522,843.22
Cost of Goods Sold	
Cost of Goods Sold	8,643.00
Merchant Account Fees	<u>1,164.14</u>
Total Cost of Goods Sold	<u>9,807.14</u>
Gross Profit	513,036.08
Operating Expenses	
Advertising and Promotion	11,599.44
Bank Service Charges	591.70
Business Licenses and Permits	241.25
Computer and Internet Expenses	35,262.04
Dues and Subscriptions	1,045.00
Freight and Shipping Costs	601.34
Interest Expense	62.98
Professional Fees	<u>9,210.25</u>
Total Operating Expenses	<u>58,614.00</u>
Operating Income (Loss)	454,422.08
Other Income	
Other Income	<u>628.93</u>
Total Other Income	628.93
Income (Loss) Before Income Taxes	455,051.01
Income Tax	<u>95,428.62</u>
Net Income (Loss)	<u><u>\$ 359,622.39</u></u>

Lefab Franchisor, LLC
STATEMENT OF CASH FLOWS
Year Ended Dec 31, 2023

Dec 31, 2023

Cash Flows from Operating Activities

Net Income

Net Income (Loss) \$ 359,622.39

Total Net Income **359,622.39**

Adjustments to Net Income

Adjustments to reconcile Net Income (Loss) to net Cash:

(Increase) Decrease in:

Food Inventory (1,744.76)

Increase (Decrease) in:

BoA MasterCard - 2874 8,435.87

Taxes- Federal Payable 95,428.62

Total Adjustments **102,119.73**

Net Cash Provided By (Used In) Operating Activities **461,742.12**

Cash Flows from Investing Activities

Accumulated Depreciation 4,038.00

Net Cash Provided By (Used In) Investing Activities **4,038.00**

Cash Flows from Financing Activities

Capital Contribution 1,955.00

Members Draw (471,805.00)

Members Equity 11,745.71

Net Cash Provided By (Used In) Financing Activities **(458,104.29)**

Net Increase (Decrease) in Cash **7,675.83**

Cash at Beginning of Period

Cash at Beginning of Period 18,307.88

Total Cash at Beginning of Period **18,307.88**

Cash at End of Period **\$ 25,983.71**

LEFAB FRANCHISOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1- ORGANIZATION AND NATURE OF THE BUSINESS

The company was organized under the law of the state of Florida as a Limited Liability Company on March 26, 2019. Is a subsidiary of LEFAB GOURMET CORP MORELIA GOURMET PALETAS, the parent company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements of Lefab Franchisor, LLC have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The financial statements include the operations, assets and liabilities of the Company. In the opinion of the Company's management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals, necessary to fairly present the accompanying financial statements.

*Cash and Cash Equivalent*s - For purposes of the statement of cash flows, Lefab Franchisor, LLC considers all checking and overnight investment accounts to be cash equivalents. As of December 31, 2023, the Company had cash of \$25,984 maintained in various U.S. bank accounts, of which all U.S. bank account balances were below the \$250,000 FDIC coverage limit.

Use of Estimates - The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period in which they are determined to be necessary.

NOTE 3 – Accounts Receivables

Accounts receivable (note 3)

1,745

Receivables are due from franchisee, for royalties, marketing fees and other fees associated with the franchise fee or items sold from the parent company.

NOTE 4: OTHER ASSETS & TRANSACTIONS WITH RELATED PARTIES

¹ Management recorded the following as other assets as of December 31, 2023:

N/R Lefab Commercial Houston I	\$20,000
N/R Lefab Gourmet Corp	\$29,200
Gift Card Prepaids	\$77

The note receivable from Lefab Commercial and Lefab Gourmet, are related party, LEFAB GOURMET CORP is an installment note bearing annual interest at 0.00 percent, payable monthly, with the principal payable in annual installments of \$0,

NOTE 5 – Property Plant and Equipment²

Property & Equipment - Property and equipment is recorded at cost. Depreciation calculated by the straight-line method over the estimated useful lives of the assets which is typically five years. Maintenance and repairs are charged to operations when incurred. When equipment is sold or otherwise disposed of, the asset account and related depreciation are relieved, and any gain or loss is included in operations.

Property and Equipment at December 31, 2023 consist of the following:

Furniture & Equipment	13,454
Less: Accumulated Depreciation	<u>(8,573)</u>
Property & Equipment	4,881

Note 6 - Revenue Recognition³

Revenue and Expense Recognition- the Company recognizes revenues from franchise, marketing, royalties and Initial fees collected from franchisee. Upfront fees are recognized over the estimated period that the related services are performed. Transaction-related fees are recognized when all services for a transaction have been provided, specified conditions have

¹ According to ASC 850, Related-Party Disclosures, financial statements are required to disclose material related-party transactions other than compensation arrangements, expense allowances, or other similar items that occur in the ordinary course of business

² ASC 360, Property, Plant, and Equipment general, which provides guidance on accounting and reporting on property, plant, and equipment, including accumulated depreciation; and impairment or disposal of long-lived assets. Property, plant, and equipment are some of the most significant items in the statement of financial position and usually represent a substantial investment by the entity.

³ ASC 606 The core principle of the new revenue standard is that an "entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

been met and the transaction closes. Underwriting revenues are recognized when the offering is deemed complete and is presented net of related expenses. Deferred revenues are recorded for fees received that have not yet been earned. Expenses are reflected on the statements of operations, net of client reimbursements.

Note 7- Leases

The company leases a building from where they plan to establish the training school and the main office. The lease agreement is for a term of 300 month expiring Nov 30, 2043. The minimum lease payments under the operational lease agreement are as follows:

Year Ending December 31

2023	\$
Thereafter	\$

Note 8 - Income Taxes

There is a provision for income taxes because the company has elected to be treated as an C Corporation beginning March 26, 2019. Under the current tax law, the C Corporation pay income taxes, at a corporate level, at a 21% Federal tax rate and a State of Florida piggyback tax rate of 3.535, the stockholder pays their shares of the income taxes, on dividends distributed from the entity. The amount of 85,185 record on the notes to financial statements, and have been accrued and record to the financial Statetments.

Note 9 - Note Payables⁴

The Note payable on purchases of company vehicles and other equipment as of December 31, 2022, amounted to:

Note 1 BoA MasterCard - 2874	\$10,226
Total Note Payable	\$10,226

The note payable to Bank of America consist of a business credit card payable installments in the amount of \$ 25.00 bearing on interest rate of 18.99 percent. The Interest paid in 2023, was 63, with a credit balance limit of \$18,000.

⁴ ASC 470-50-40-1 states "the general guidance for the extinguishment of liabilities is contained in Subtopic 405-20 and defines transactions that the debtor shall recognize as an extinguishment of a liability." Per ASC 405-20-40-1: "A debtor shall derecognize a liability if and only if it has been extinguished. A liability has been extinguished if either of the following conditions is met.

:

Note 11 – Equity Membership interests in the Company are represented by the following series: one-thousand-member units, have equal voting rights.

Member Unit	0
-------------	---

Members Draws, at December 31, 2023 the owners of the member units of Lefab Franchisor, LLC withdrew outside of payroll the \$ 356,000 in cash. The members consist of personal draws not related to the operations of the entity.

Members' Draws	(225,310)
----------------	-----------

Note 15 – Subsequent Events

The Corporation has evaluated subsequent events through March 8, 2024, the date which the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through March 8, 2024 that would require adjustments to, or disclosure in, the financial statements.



Lefab Franchisor, LLC

March 8, 2024

CPA Advisory & Business Consultants
P O Box 622521
Orlando, FL 32862-2521

We are providing this letter in connection with your audit of the balance sheet of Lefab Franchisor, LLC as of December 31, 2024 and the related statements of income and expenses and cash flows for the period then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States (U.S.GAAP). We confirm that we are responsible for the fair presentation in the financial statements of balance sheet, statement of income and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, (as March 8, 2024), the following representations made to you during your audit(s):

The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the organization's control.

1. We have made available to you all—
 - a. Financial records and related data.
 - b. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
3. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken.
4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.



5. We have no knowledge of any fraud or suspected fraud affecting the Organization involving—

a. Management,

b. Employees who have significant roles in internal control, or

c. Others where the fraud could have a material effect on the financial statements.

6. We have no knowledge of any allegations of fraud or suspected fraud affecting the organization received in communications from employees, former employees, grantors, regulators, or others.

7. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.

8. The following, if any, have been properly recorded or disclosed in the financial statements:

a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

b. Guarantees, whether written or oral, under which the Organization is contingently liable.

9. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

10. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.

11. There are no—

a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *Statement of Financial Accounting Standards No. 5, Accounting for Contingencies*.

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by *Statement of Financial Accounting Standards No. 5*.

d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.

12. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.

13. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grand agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

14. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signed: *Gilbert Arismendi*
Gilbert Arismendi (Mar 16, 2024 12:56 EDT)

Title: General Manager

Date: 3/8/2024

LEFAB FRANCHISOR LLC - 2023 Audited Financial Statements

Final Audit Report

2024-03-16

Created:	2024-03-12
By:	David Olivencia (david@professionalaccountinggroupllc.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAVEzLgm-YEi7A45qcDg3RFL1OyKLLx98

"LEFAB FRANCHISOR LLC - 2023 Audited Financial Statements" History







-  Document created by David Olivencia (david@professionalaccountinggroupllc.com)
2024-03-12 - 5:49:26 PM GMT- IP address: 69.109.244.97
-  Document emailed to mateo@paletasmorelia.com for signature
2024-03-12 - 5:49:51 PM GMT
-  Email viewed by mateo@paletasmorelia.com
2024-03-13 - 1:15:19 PM GMT- IP address: 181.2.53.81
-  Signer mateo@paletasmorelia.com entered name at signing as Gilbert Arismendi
2024-03-16 - 4:56:35 PM GMT- IP address: 136.28.70.180
-  Document e-signed by Gilbert Arismendi (mateo@paletasmorelia.com)
Signature Date: 2024-03-16 - 4:56:37 PM GMT - Time Source: server- IP address: 136.28.70.180
-  Agreement completed.
2024-03-16 - 4:56:37 PM GMT

EXHIBIT "H" TO THE DISCLOSURE DOCUMENT

GENERAL RELEASE

GENERAL RELEASE

This General Release ("General Release") is made and entered into by _____ (the "Franchisee") on this ____ day of _____, 20__.

A. Franchisee had previously been established as a franchisee under the Morelia franchise system pursuant to a Franchise Agreement executed by Franchisee and LEFAB Franchisor, LLC (the "Franchisor") dated as of _____ (the "Original Franchise Agreement").

B. The Franchisee currently proposes to renew its franchise relationship with the Franchisor under a new Franchise Agreement.

C. As required under the Original Franchise Agreement, Franchisee is obligated to enter into this Release in connection with a renewal thereof.

D. The Franchisee acknowledges that it understands the effect of this Release to disallow any claims by it for actions taken by the Franchisor in connection with the Original Franchise Agreement and further acknowledges and agrees that the Franchisor already has paid, or provided the Franchisee with, all of the obligations and benefits that the Franchisee was owed under the Original Franchise Agreement.

1. **Release.** In accordance with the Original Franchise Agreement and to induce execution by the Franchisor of the new Franchise Agreement and acceptance of the terms set forth therein, the Franchisee with the intent of binding itself and its successors, affiliates, heirs, assigns, attorneys, and principal owners, hereby releases and forever discharges the Franchisor and its parents, affiliates, subsidiaries, divisions, successors and assigns, and other related companies and each of their officers, directors, shareholders, affiliated Franchisees, agents, and representatives of any kind (collectively, "Released Parties") from and against any and all liabilities, claims, grievances, demands, charges, actions and causes of action whatsoever which first arose prior to and through the date on which this Release becomes effective, including but not limited to, any and all claims arising under or pursuant to any constitution, common law, statute, regulation, executive order or ordinance (and specifically from and against any and all liabilities, claims, grievances, demands, charges, actions and causes of action whatsoever related to the Original Franchise Agreement). In addition, the Franchisee expressly waives the benefit of any statute or rule of law that, if applied to this Release, would otherwise exclude from its binding effect any claims not known by the Franchisee to exist. The Franchisee also agrees that the Franchisee will not institute any claims for damages or for other relief by charge or otherwise, nor will the Franchisee authorize, encourage, or induce any other person or entity, governmental or otherwise, to enter into any claim for damages or for other relief via administrative or legal proceedings against the Released Parties for any such claims.

2. **Consideration Period.** The Franchisee acknowledges that the Franchisee has been given the opportunity to consider this Release for at least fourteen (14) days before its execution.

3. **Knowing and Voluntary Waiver.** The Franchisee agrees and acknowledges that: (a) no promise or inducement for this Release has been made to the Franchisee except as set forth herein; (b) this Release is executed by the Franchisee freely and voluntarily and without reliance upon any statement or representation by the Franchisor or anyone acting on its behalf other than as set forth herein; (d) the Franchisee has read and fully understands this Release

and the meaning of its provisions; (f) the Franchisee is legally competent to enter into this Release and understands the meaning of Franchisee's responsibility therefore; (g) Franchisee has been given sufficient time to consider this Release and its terms; and (h) Franchisee has been advised to consult with an attorney prior to entering into this Release.

IN WITNESS WHEREOF, the Franchisee hereby executes this Release.

FRANCHISEE

By _____

Title _____

Date _____

EXHIBIT "I" TO THE DISCLOSURE DOCUMENT

ASSIGNMENT AND ASSUMPTION OF FRANCHISE AGREEMENT

ASSIGNMENT AND ASSUMPTION OF FRANCHISE AGREEMENT

This ASSIGNMENT AND ASSUMPTION OF FRANCHISE AGREEMENT (this "**Assignment**") is executed and delivered as of _____, 20____, by and between Franchisee, _____, individually, and/or _____, Corporation ("**Assignor**"), and _____, individually, and/or _____, Corporation ("**Assignee**").

WHEREAS, Assignor and LEFAB Franchisor, LLC ("**Franchisor**") entered into that certain Franchise Agreement (the "**Franchise Agreement**"), dated as of _____, pursuant to which Franchisor granted Assignor the right and license to operate a Morelia franchise in accordance with the terms and conditions stated therein;

WHEREAS, the Franchise Agreement permits Assignor to assign the Franchise Agreement provided that Franchisor consents to such transfer and certain specified conditions are satisfied.

NOW, THEREFORE, in consideration of the promises, undertakings and commitments set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows.

1. **Recitals.** The Recitals set forth above are true and correct and are incorporated herein as if set forth herein.

2. **Assignment of Franchise Agreement.** Assignor does hereby sell, assign, transfer, convey, set over and confirm, to Assignee, its successors and assigns, to have and to hold forever, all of Assignor's right, title and interest of every kind and character whatsoever in, to or with respect to the Franchise Agreement, and Assignee hereby accepts the assignment of the Franchise Agreement.

3. **Assumption of Franchise Agreement.** Assignee does hereby assume the Franchise Agreement and agrees to perform all of the duties and obligations, and abide by all of the covenants, terms and conditions, applicable to Assignor under the Franchise Agreement. Notwithstanding the foregoing, Assignor shall (a) remain liable for all direct and indirect obligations owed to Franchisor in connection with the Franchise Agreement prior to the effective date of this Assignment; and (b) continue to comply with the nondisclosure, noncompetition and indemnification provisions set forth in the Franchise Agreement.

4. **Consent to the Assignment.** Franchisor by its execution below, hereby acknowledges and consents to the assignment of all of Assignor's rights and interests under the Franchise Agreement to Assignee and the assumption by Assignee of the liabilities of the Assignor under the Franchise Agreement as set forth above; provided, however, that the foregoing consent to the assignment and assumption of the Franchise Agreement by Franchisor shall not release Assignor from any continuing liability under the Franchise Agreement.

5. **Further Actions.** Assignor and Assignee agree that they shall execute and deliver or cause to be executed and delivered from time to time such instruments, documents, agreements, and assurances and take such other action as any other party may reasonably require to more effectively assign and transfer to and vest in Assignee, its successors and assigns, all right, title and interest of Assignor in and to the Franchise Agreement.

6. **Miscellaneous.**

(a) **Governing Law.** This Assignment is governed by Florida law. The parties reconfirm and submit to venue and jurisdiction in Miami-Dade County, Florida.

(b) **Counterparts.** This Assignment may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document.

(c) **Binding Nature.** This Assignment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Assignment, however, may not be assigned by any party without the prior written consent of the other parties.

IN WITNESS WHEREOF, this Assignment is executed as of this ___ day of _____, 20__.

“Assignor”

_____,
Individually Corporation
By: _____ By: _____
Name: _____ Name: _____
Title: _____ Title: _____

“Assignee”

Individually Corporation
By: _____ By: _____
Name: _____ Name: _____
Title: _____ Title: _____

The undersigned hereby consents to the foregoing assignment:

LEFAB Franchisor, LLC
a Florida limited liability company,

By: _____
Name: _____
Title: _____

EXHIBIT “J” TO THE DISCLOSURE DOCUMENT

FRANCHISEE DISCLOSURE QUESTIONNAIRE

**LEFAB FRANCHISOR, LLC
FRANCHISEE DISCLOSURE QUESTIONNAIRE***

This Franchisee Acknowledgement is not applicable to and shall not be used as to any franchise offer and/or sale involving any California resident and/or franchisee as the Franchisee Acknowledgement violates of California Corporations Code sections 31512 and 31512.1.

Do not sign this Questionnaire if you are a resident of Maryland or the franchise is to be operated in Maryland.

(This questionnaire is not to be used for any franchise sale in or to residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin. Do not sign this Questionnaire if you are a resident of one of these states, or the franchise is to be operated in one of these states.)

As you know, LEFAB Franchisor, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Morelia franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but 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 to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes ___ No ___ 1. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?
- Yes ___ No ___ 2. Did you receive the Franchise Agreement and each related agreement, containing all material terms, at least 7 calendar days before signing any binding agreement with us or an affiliate? (Note: This does not include changes to any agreement arising out of negotiations you initiated with us.)
- Yes ___ No ___ 3. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes ___ No ___ 4. Did you receive the Franchise Disclosure Document at least 14 calendar days before signing the Franchise Agreement or any related agreement, or before paying any funds to us or an affiliate?
- Yes ___ No ___ 5. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
- Yes ___ No ___ 6. Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?

- Yes__No__ 7. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes__No__ 8. Do you acknowledge and understand that no parent or affiliate of ours promises to back us financially or otherwise guarantees our performance or commits to perform post-sale obligations for us?
- Yes__No__ 9. Have you discussed the benefits and risks of developing and operating a Morelia franchise with an existing franchisee?
- Yes__No__ 10. Do you understand the risks of developing and operating a Morelia franchise?
- Yes__No__ 11. 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 weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes__No__ 12. Do you understand we have not granted you any territorial rights, other than the right to your Protected Territory as indicated in the Franchise Agreement?
- Yes__No__ 13. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the production, distribution and sale of products and services under the Morelia name or other mark, at any location or by any method of distribution, without regard to the location of other Morelia franchises and these other Morelia franchises or methods of distribution may compete with your unit and adversely affect its sales?
- Yes__No__ 14. Do you understand that, except where prohibited by the laws of your state, all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Florida, if not resolved informally or by mediation?
- Yes__No__ 15. Do you understand that you and your manager must satisfactorily complete the initial training course before we will allow you to commence operations of the Franchised Business?
- Yes__No__ 16. Is it true no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
- Yes__No__ 17. Is it true 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 a Morelia franchise will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes__ No__ 18. Do you understand that the Franchise Agreement contains the entire agreement between us and you concerning the franchise for a Morelia business meaning any prior oral or written statements not set out in the Franchise Agreement will not be binding?*

Yes__ No__ 19. Do you acknowledge and understand that the Franchise Agreement and related agreements are not effective until signed by us?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

❖ * Nothing contained in this Questionnaire is intended to disclaim the representations we made in the Franchise Disclosure Document.

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 Dates 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 "K" TO THE DISCLOSURE DOCUMENT

RECEIPTS

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 LEFAB Franchisor, 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 the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If LEFAB Franchisor, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in **Exhibit "A"** to this disclosure document).

The franchisor is LEFAB Franchisor, LLC located at 76 Miracle Mile, Coral Gables, Florida 33134. Its telephone number is (305)897-0004.

We authorize the respective state agencies identified on **Exhibit "A"** to receive service of process for us if we are registered in the particular state.

Issuance Date: June 11, 2025

The name, principal business address, and telephone number of the franchise sellers offering the franchise are:

Name	Principal Business Address	Telephone Number
Gilbert Arismendi	76 Miracle Mile Coral Gables, FL 33134	(305) 456-1306
FranDevCo, LLC	19460 Old Jetton Rd., Ste. 204 Cornelius, NC 28031	

I received a Disclosure Document dated _____. (See the state effective date summary page for state effective dates.) The Disclosure Document included the following Exhibits:

- A State Agencies and Administrators/Agents for Service of Process
- B Form of Franchise Agreement (and Guaranty)
- C Form of Multi Unit Development Agreement
- D Operating Manual Table of Contents
- E State Specific Addenda and Riders
- F Roster of Current and Former Franchisees
- G Financial Statements
- H General Release
- I Assignment and Assumption of Franchise Agreement
- J Franchisee Disclosure Questionnaire
- K Receipt

KEEP THIS COPY FOR YOUR RECORDS.

Signature _____
Print Name: _____

_____ Date

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 LEFAB Franchisor, 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 the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If LEFAB Franchisor, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in **Exhibit "A"** to this disclosure document).

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- | | |
|---|--|
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| C Form of Multi Unit Development Agreement | H General Release |
| D Operating Manual Table of Contents | I Assignment and Assumption of Franchise Agreement |
| E State Specific Addenda and Riders | J Franchisee Disclosure Questionnaire |
| | K Receipt |

Signature
Print Name: _____

Date

RETURN THIS RECEIPT TO US AT:

LEFAB Franchisor, LLC
76 Miracle Mile
Coral Gables, Florida 33134
(305) 456-1306
www.paletasmorelia.com