



## FRANCHISE DISCLOSURE DOCUMENT

South Bay Soup Corporation  
a California corporation  
Attention: JAZEN TEA®  
1420 Fulton Avenue, Building B  
Sacramento, CA 95825  
Telephone: (916) 779-8800  
[www.jazentea.com](http://www.jazentea.com)

**Franchise Business:** We offer “Stand-Alone Jazen Tea® Shop Franchises” for the right to sell a variety of flavorful fruit and tea drinks made from brewed high quality tealeaves and fresh fruit, smoothies and snacks in an attractive retail environment identified by the distinctive branding elements of the “Jazen Tea® System.” We also offer “Co-Branding Franchises” to qualified “Phở Hòa® Restaurant Franchisees” granting the right to sell, in addition to “Phở Hòa® Menu Items,” a selection of “Core Jazen Tea® Menu Items” and to incorporate the distinctive branding elements of the Jazen Tea® System as part of your Phở Hòa® Restaurant operations.

### Initial Fees:

**Stand-Alone Jazen Tea® Shop Franchises:** The total investment necessary to begin operation of a Stand-Alone Jazen Tea® Shop ranges from \$182,600 and \$389,930. This includes between \$20,720 and \$28,220 that you must pay to us or our affiliates before you open your Stand-Alone Jazen Tea® Shop if this is your first Jazen Tea® franchise.

**Co-Branded Phở Hòa® Restaurant Franchises:** The total initial investment to begin operation of a Co-Branded Phở Hòa® Restaurant ranges from \$73,000 and \$112,000. This includes between \$16,120 and \$23,620 that you must pay to us or our affiliates for Co-Branding Franchise rights. The range of \$16,120 and \$23,620 excludes the separate \$20,000 Initial Franchise Fee payable to acquire Phở Hòa® Restaurant franchise rights. It also excludes the Term Extension Fee that is payable only if you need to extend the term of an existing Phở Hòa® Franchise Agreement so that it expires at the same time as the Co-Branding Addendum, i.e., 5 years after you first begin selling Core Jazen Tea® Menu Items and operating as a Co-Branded Phở Hòa® Restaurant. The initial investment range covers only the incremental expenses over and above the estimated initial investment to begin operation of a Phở Hòa® Restaurant, which we disclose in a separate Disclosure Document for the Phở Hòa® Restaurant franchise opportunity.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of the disclosure document in another format, contact Quoc Phan, President, Chief Executive Officer, Chief Financial Officer and Director, South Bay Soup

Corporation, Attention: JAZEN TEA®, 1420 Fulton Avenue, Building B, Sacramento, CA 95825  
Telephone: (916) 779-8800; [franchising@jazentea.com](mailto:franchising@jazentea.com).

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

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

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

Issuance Date: March 30, 2023

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

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

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

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

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

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

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

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

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

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

## Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda, **Exhibit K**. 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 mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate or litigate with the franchisor in California than in your own state.
2. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even if your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments and advertising contributions regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

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**ITEM 1.**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

**A. Terminology.**

To simplify the language in this Disclosure Document, “Company,” “we,” “us” and “our” refer to South Bay Soup Corporation, a California corporation. “You” means the person who buys the franchise and includes your owners if you are a corporation, limited liability company, partnership or other business entity.

We also use capitalized terms throughout this Disclosure Document and define them where the term first appears. We explain certain definitions here to aid your use of this Disclosure Document:

**B. The Company, Our Parent, Predecessors and Affiliates.**

We are a California corporation organized on September 2, 2005. Our principal place of business is 1420 Fulton Avenue, Building B, Sacramento, California 95825. **Exhibit B** lists state officials that serve as our agents for service of process if we do business in those states.

We are a wholly owned subsidiary of Aureflam Corporation, a California corporation. In this Disclosure Document, we identify Aureflam Corporation as our “Parent.” Our Parent’s principal place of business is the same as ours. We have no predecessors.

In addition to offering, selling and administering the Jazen Tea® franchise program for Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants, since September 2, 2005, we have offered, sold and administered a separate franchise program for Phở Hòa® Restaurants pursuant to a separate Phở Hòa® Disclosure Document. As a result, we sometimes conduct business under the name Phở Hòa® and sometimes under the name Jazen Tea® or under both names when we refer to our dual concept, co-branding program for qualified Phở Hòa® Restaurant Franchisees. The reference to “Stand-Alone Phở Hòa® Restaurants” is intended to distinguish restaurants that only sell “Phở Hòa® Menu Items” from the Co-Branded Phở Hòa® Restaurants described in this Disclosure Document that sell both Phở Hòa® Menu Items and Core Jazen Tea® Menu Items. “Phở Hòa® Menu Items” refer to the customary menu items that we authorize for sale at Stand-Alone Phở Hòa® Restaurants; “Jazen Tea® Menu Items” refer to the specialty beverages and foods that we designate and authorize for sale at Stand-Alone Jazen Tea® Shops including snack foods; and Core Jazen Tea® Menu Items are confined to specialty beverages.

Except for the Phở Hòa® and Jazen Tea® franchise programs, neither we nor our affiliates have offered franchises in the United States in any other line of business. Neither we nor our affiliates engage in other business activities unrelated to Jazen Tea® or Phở Hòa®.

We have no affiliates that provide products or service to Jazen Tea® franchisees.

**C. Prior Experience.**

**General Prior Experience:** We derive our prior experience from the activities of our Parent and principals. They have owned and operated Stand-Alone Phở Hòa® Restaurants since 1986 and have awarded Stand-Alone Phở Hòa® Restaurant franchises since 1992. We do not



currently own or operate any Stand-Alone Jazen Tea® Shops or Stand-Alone Phở Hòa® Restaurants nor have we owned or operated any in the past.

Jazen Tea® Shop and Co-Branded Phở Hòa® Restaurants - Prior Experience: Our Parent opened the first Stand-Alone Jazen Tea® Shop in San Jose, California in September 2012 and began offering Jazen Tea® franchises in 2014.

Also in 2014, we also began offering Co-Branding Franchises where a Jazen Tea® Shop is located within a Phở Hòa® Restaurant. We offer the Co-Branding Franchise opportunity to prospective and existing Phở Hòa® Restaurant Franchisees that meet our eligibility standards and want to offer the primary featured beverages that we authorize for sale at Stand-Alone Jazen Tea® Shops and showcase Jazen Tea® branding elements at their Phở Hòa® restaurant.

In order to acquire Co-Branding Franchise rights, a “Phở Hòa® Restaurant Franchisee” (meaning a franchisee with which we have entered into a Phở Hòa® Franchise Agreement) must execute a separate Co-Branding Addendum with us, which covers additional rights and duties specific to Co-Branding operations. The Co-Branding Addendum is **Exhibit D** to this Disclosure Document. In this Disclosure Document, “Co-Branding Franchise” means the right to own and operate a Co-Branded Phở Hòa® Restaurant on the terms of a Phở Hòa® Franchise Agreement as amended by the Co-Branding Addendum, and “Co-Branding Franchisee” means a franchisee that owns and operates a Co-Branded Phở Hòa® Restaurant. A Co-Branding Franchisee may acquire Co-Branding Franchise rights at the same time they acquire a Phở Hòa® Restaurant franchise or after their Phở Hòa® Restaurant opens for business. In either case, a Co-Branding Franchisee will receive a separate Phở Hòa® Disclosure Document, which will include a copy of the Phở Hòa® Franchise Agreement.

See Item 20 and **Exhibit M** for the addresses of all operating Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants as of our most recent fiscal year ending December 31, 2022.

Stand-Alone Phở Hòa® Restaurants Prior Experience: Stand-Alone Phở Hòa® Restaurants today are a sit-down table-service casual dining concept featuring authentic Vietnamese noodle soups and dishes made using proprietary recipes and fresh ingredients designed to appeal to health-conscious customers. In 1984, The founder of our company, Mr. Binh Nguyen (who retired on December 31, 2015), first became acquainted with the Phở Hòa® Restaurant concept when he was introduced to the original founders of the Phở Hòa® Restaurant concept who had opened the first Stand-Alone Phở Hòa® Restaurant in Santa Ana, California in 1983. By oral agreement with the founders, in 1984, Mr. Nguyen received permission to develop a Stand-Alone Phở Hòa® Restaurant in San Jose, California using the Phở Hòa® trademarks (“Phở Hòa® Marks”) and business methods (“Phở Hòa® System”). In September 1986, Mr. Nguyen was instrumental in forming our Parent and has served as its President since 1992.

Our Parent began offering Stand-Alone Phở Hòa® Restaurant franchises in 1992. It served as the franchisor of the Stand-Alone Phở Hòa® Restaurant franchise program until we were organized in 2005 and assumed that responsibility. We disclose information about the Stand-Alone Phở Hòa® Restaurant franchise opportunity and the Stand-Alone Phở Hòa® Restaurants owned and operated by our affiliates and our or their franchisees in a separate Phở Hòa® Disclosure Document. In addition to Stand-Alone Phở Hòa® Restaurants in the United States, our Parent directly or indirectly through other affiliates owns, operates or licenses to third

parties Stand-Alone Phở Hòa® Restaurants in Canada, South Korea, the Philippines, Malaysia, Indonesia and Taiwan.

D. Franchises for Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants.

Our Parent owns the “Jazen Tea® Marks” and the “Jazen Tea® System” that we describe in this Item 1 and has granted us a perpetual license to operate, and grant sublicenses to third parties in the United States to operate, Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants using the Jazen Tea® System and Jazen Tea® Marks. Our Parent owns the Phở Hòa® Marks and Phở Hòa® System that we describe in the separate Phở Hòa® Disclosure Document.

We offer, sell and administer the Jazen Tea® franchise program for franchisees acquiring “Stand-Alone Jazen Tea® Shop Franchises” and “Co-Branding Franchises.” Where relevant, this Disclosure Document explains material differences between these two franchise programs, each of which confers the right to use the “Jazen Tea® Marks” and “Jazen Tea® System.”

By “Jazen Tea® Marks,” we refer collectively to the name Jazen Tea® and the stylized logo design appearing on page 1 of this Disclosure Document and to any other service mark, trademark, trade name, logo and commercial symbol that we may later adopt and permit you to use. By “Jazen Tea® System,” we refer collectively to the specialized recipes, operating know-how, trade secrets, business methods and business systems that we require or permit you to use. We may modify the Jazen Tea® Marks and Jazen Tea® System at any time in our discretion and will notify you of any changes.

Stand-Alone Jazen Tea® Shops offer customers a relaxing environment in which to enjoy a variety of flavorful cold fruit and tea beverages made with the freshest ingredients and our proprietary brewed high quality tea leaves. Our selection of specialty drinks includes fruit teas, fruit smoothies, and “bubble” style milk teas served in attractive branded cups. Customers may customize their drinks by adding a variety of jellies, fruit bits, whipped cream, tapioca, and other flavor enhancements. Stand-Alone Jazen Tea® Shops also offer appetizers and snacks. All food and beverage items are sold for on-premises consumption or takeout. We may modify and expand authorized menu items and recipes at any time according to changing consumer preferences.

In addition to offering Stand-Alone Jazen Tea® Shop Franchises and Stand-Alone Phở Hòa® Restaurant Franchises as separate franchise opportunities, we offer Co-Branding franchise opportunities to eligible Phở Hòa® Restaurant franchisees whereby they may offer Core Jazen Tea® Menu Items in addition to Phở Hòa® Menu Items and use the Jazen Tea® Marks, signs and branding elements in operating their Phở Hòa® Restaurant. “Core Jazen Tea® Menu Items” are the primary featured beverages that we include at any time as Jazen Tea® Menu Items. For example, Core Jazen Tea® Menu Items exclude snacks and may include fewer than all of the beverages authorized for sale at Stand-Alone Jazen Tea® Shops.

Generally speaking, Stand-Alone Jazen Tea® Shops are physically smaller than Co-Branded Phở Hòa® Restaurants and customers both order and pick up their own selections at the counter, unlike Co-Branded Phở Hòa® Restaurants which provide table delivery after customers order selections at the counter. Ideally, 75% of the rentable area of a Co-Branded Phở Hòa® Restaurant should be dedicated to the preparation and sale of Phở Hòa® Menu Items and 25% to the preparation and sale of Core Jazen Tea® Menu Items.

We promote the Jazen Tea® brand through direct and social marketing, local advertising and on our website, “www.jazentea.com,” which provides information about our company, menu, restaurant locations, and franchise opportunities.

If you purchase a Stand-Alone Jazen Tea® Shop Franchise license, you will enter into a JT Franchise Agreement with us in the form of **Exhibit C** (“JT Franchise Agreement”). The JT Franchise Agreement requires you to operate your Stand-Alone Jazen Tea® Shop in accordance with the business methods and standards that we dictate, including (i) following our recipes for preparing Jazen Tea® Menu Items; (ii) adhering to rules and implementing best practices regarding handling and storage of ingredients and food safety; (iii) following retail operating procedures and standards for customer service; (iv) participating in marketing and advertising programs and following procedures for obtaining our prior written approval to local advertising materials or activities; (v) complying with record keeping and financial and operational reporting requirements; and (vi) complying with rules regarding use of the Jazen Tea® Marks. We provide you with access to our Confidential Operations Phở Hòa® Franchise Agreement (“Manual”), which contains detailed information regarding the Jazen Tea® System including confidential operating and recipe manuals and other written instructional materials that we loan or provide you with access to pertaining to the operation of a Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant. Until further notice, if you purchase a Stand-Alone Jazen Tea® Shop Franchise license, you will receive the same Manual that we provide to franchisees that buy a Phở Hòa® Restaurant franchise.

We may change the Jazen Tea® System periodically and make corresponding changes to the Manual. We will notify you of all changes that we make to the Manual by issuing you written supplements or otherwise in writing. You must conform to all changes within the time frame that we allow. We will endeavor to allow you a reasonable amount of time to make changes depending on what is involved with the change. For example, we may require that you immediately adopt changes that address health and safety issues.

If you own a Phở Hòa® Restaurant or are acquiring a Phở Hòa® Restaurant franchise, you may apply to acquire Co-Branding Franchise rights to use the Jazen Tea® Marks and sell Core Jazen Tea® Menu Items as part of your Phở Hòa® Restaurant operations. “Core Jazen Tea® Menu Items” are the primary featured beverages that we authorize for sale at Stand-Alone Jazen Tea® Shop and exclude foods. If you meet our eligibility standards and we offer you Co-Branding Franchise rights, you will enter into the Jazen Tea® Co-Branding Addendum with us, in the form of **Exhibit D** (“Co-Branding Addendum”). The Co-Branding Addendum operates to amend your “Phở Hòa® Franchise Agreement” to cover additional rights and duties specific to Co-Branding operations. Item 7 of this Disclosure Document describes the estimated incremental, additional investment to add Core Jazen Tea® Menu Items, signs and other branding elements to a Phở Hòa® Restaurant and begin operations as a Co-Branded Phở Hòa® Restaurant. We have the absolute right to offer Co-Branded franchise opportunities to select Phở Hòa® Restaurant franchisees that we determine meet our minimum financial and experience criteria and either intend to open, or currently operate, Phở Hòa® Restaurants in spaces that are large enough to accommodate the additional equipment and preparation area necessary to sell both Core Jazen Tea® Menu Items and Phở Hòa® Menu Items.

The Manual identifies the specific items that are formulated, created or designed by or for us using our specifications or that bear the Jazen Tea® Marks (collectively, “Proprietary Products”) which we require you to use or sell in operating a Stand-Alone Jazen Tea® Shop or in selling Jazen Tea® Menu Items at a Co-Branded Phở Hòa® Restaurant. At this time, Proprietary Products consist of (i) beverage cups, bags and seals bearing the Jazen Tea® logo and related

disposables like straws; (ii) Jazen Tea® brand teas, syrup mixes, and dried products (including tapioca pearls, creamer, and egg pudding); (iii) Jazen Tea® uniforms consisting of logo t-shirts which we require your employees to wear while at work; and (iv) certain equipment, namely tea brewing machines, a fructose dispenser and plastic cup sealer machines. If you are a Co-Branding Franchisee, at least one front crew member per shift must be assigned to prepare and serve Core Jazen Tea® Menu Items. That employee will wear a Jazen Tea® logo t-shirt while other employees who prepare and serve Phở Hòa® Menu Items will wear a Phở Hòa® logo t-shirt. At this time, we do not have dual-logo t-shirts displaying both the Jazen Tea® and Phở Hòa® logos.

We may modify the formulations and specifications of Proprietary Products and add specially-formulated or branded products that are not on the list now, including logo merchandise. By identifying an item as a “Proprietary Product,” it means that you will only be able to buy the item from us, one of our affiliates or the third party supplier that we designate following specific purchasing procedures. At this time, we are the only supplier of the items that we currently identify as Proprietary Products.

Additionally, the Manual identifies recipes and specifications for all other food and beverage products and ingredients, supplies, equipment, and materials that are not specially-formulated just for Jazen Tea® Shops or that do not bear the Jazen Tea® Marks (collectively, “Non-Proprietary Products”). You may purchase Non-Proprietary Products from any supplier of your own choosing capable of selling items meeting our specifications and quality standards.

You will operate your Stand-Alone Jazen Tea® Shop from a location that you select and which we must approve in accordance with the site selection procedures in the JT Franchise Agreement. If you acquire Co-Branding Franchise rights, you will operate the Co-Branded Phở Hòa® Restaurant from a location that you select and which we must approve in accordance with the site selection procedures in the Phở Hòa® Franchise Agreement. In each case, you must complete the construction and build-out of the approved space at your expense to visually conform to our design and appearance specifications. We provide franchisees with support services that we describe in Item 11 to assist you in developing and opening your Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant, including providing a comprehensive initial training program.

In this Disclosure Document, we sometimes refer to your “Franchised Business.” This term means the particular Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant that you own and operate.

No provision in the JT Franchise Agreement is intended to disclaim any express representation that we make in this Disclosure Document.

E. Potential Customers and Competitors. You will serve the general public and operate year-round. Numerous retail concepts compete in the specialty beverage market. These include specialty beverage retail businesses offering a limited menu, including those that feature tea-based bubble drinks as their primary menu items as Stand-Alone Jazen Tea® Shops do, and coffeehouses and smoothie shops. Because our featured beverages, bubble teas and tea-based fruit beverages are highly popular specialty drinks from Asia, they appear on the menu of all types of cafés, restaurants, coffee shops and bars and you may compete with these establishments for customers. Both Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants may compete with restaurants utilizing quick-service and casual dining formats that sell all types and styles of food and beverages. Finally, you will compete with food service businesses

generally, including supermarkets and convenience stores that sell ready-to-drink bottled beverages.

F. Specialized Industry Laws.

Both Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants are subject to federal and state laws affecting restaurants and other food retailers generally including (i) restrictions against smoking in public places or specifically forbidding smoking inside of premises that serve food; (ii) the public posting of notices regarding health hazards (tobacco smoke or other carcinogens); (iii) fire safety and general emergency preparedness laws; (iv) rules regarding the proper use, storage and disposal of waste, insecticides and other hazardous materials; (v) environmental laws that may impact the operation of food retailers (including laws requiring recycling and regulating the use of containers and other materials potentially harmful to the environment); (vi) standards regarding employee health and safety, restaurant sanitation, and the storage, handling, cooking and preparation of food products; (vii) mandatory public disclosure laws; and (viii) laws regulating tip reporting. Some jurisdictions have also adopted or are considering proposals that would regulate indoor air quality at restaurants.

Some jurisdictions have also adopted or are considering food and/or nutrition labeling laws including calorie content disclosures that may apply to Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants.

Federal, state and local agencies inspect food retailers and their employees to ensure compliance with these laws and regulations.

You are responsible for investigating and complying with all laws in the geographic area in which you are interested in opening a Phở Hòa® restaurant and should consider their effect and cost of compliance. In addition to laws that specifically apply to restaurants and food retailers, Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants are subject to laws and regulations affecting businesses generally. These laws include tax regulations, labor laws, business licensing requirements, laws requiring permits for the construction of business premises, the American With Disabilities Act, false advertising and other unfair business practices, and the USA Patriot Act and Executive Order 13224.

G. Your Owner's Obligations. If you are a business entity, each of your owners who owns 10% or more of the outstanding voting interests of the business entity must sign the personal guaranty (**Exhibit I**) agreeing to jointly and severally personally guaranty the entity's obligations to us under all contracts that the entity signs with us.

**ITEM 2.  
BUSINESS EXPERIENCE**

**President, Chief Executive Officer, Chief Financial Officer and Director, Quoc Phan**

| <b>Dates</b>                   | <b>Employer</b>                            | <b>Title/Occupation and Duties</b>   |
|--------------------------------|--|--|
| January 2016 - Present         | South Bay Soup Corporation, Sacramento CA  | President, Chief Executive Officer, Chief Financial Officer and Director of South Bay Soup Corporation with overall responsibility for implementing strategic initiatives, franchise sales and development for the Phở Hòa® and Jazen Tea® franchise programs. |
| September 2012 - December 2015 | South Bay Soup Corporation, Sacramento CA  | Vice President of Franchising for the Jazen Tea® franchise program with overall responsibility for implementing strategic initiatives, franchise sales and development.  |
| May 2010 - December 2015       | South Bay Soup Corporation, Sacramento, CA | Director of Marketing for the Phở Hòa® franchise network and responsible for marketing activities at all Phở Hòa® Restaurant locations owned and operated by Aureflam Corporation.   |
| April 2004 - April 2010        | Aureflam Corporation, Sacramento, CA       | IT Director. Overall responsibility for implementing point-of-sale and other technology systems for the benefit of Phở Hòa® Restaurants owned and operated by Aureflam Corporation.  |

**Operations Director, Sinich Kem**

| <b>Dates</b>              | <b>Employer</b>                           | <b>Title/Occupation and Duties</b>  |
|---------------------------|---|---|
| June 2017 - Present       | South Bay Soup Corporation, Sacramento CA | Operations Director of South Bay Soup Corporation with overall responsibility for implementing strategic operations initiatives at corporate stores, franchise training development for the Phở Hòa® and Jazen Tea® franchise programs. |
| May 2015 - June 2017      | South Bay Soup Corporation, Sacramento CA | Store Manager for Redmond, Washington Pho Hoa and Jazen Tea corporate location. Responsible for implementing daily operational procedures and marketing programs.   |
| January 2012 - May 2015   | Beechers Handmade Cheese, Seattle WA      | Store Manager – Responsible for store operation, employee training and performance.   |
| March 2006 - January 2012 | 350 Bakeshop Catering, Seattle WA         | Owner – Responsible for operation, marketing, financial and sales.  |

### **ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4. BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

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

#### **A. Initial Franchise Fee.**

**Stand-Alone Jazen Tea® Shop:** For a single Stand-Alone Jazen Tea® Shop, the Initial Franchise Fee is \$10,000. If you already own a Stand-Alone Jazen Tea® Shop and purchase a second or additional Stand-Alone Jazen Tea® Shop Franchise, you will pay an Initial Franchise Fee that is 25% less than the then-current Initial Franchise Fee that we charge for a new Stand-Alone Jazen Tea® Shop Franchise where the franchisee is purchasing the right to operate their first Stand-Alone Jazen Tea® Shop.

**Co-Branded Phở Hòa® Restaurant:** For a Co-Branded Phở Hòa® Restaurant, whether you already own and operate a Phở Hòa® Restaurant or are acquiring a Phở Hòa® Restaurant franchise and executing the Phở Hòa® Franchise Agreement and Co-Branding Addendum at the same time, the “Co-Branding Initial Franchise Fee” for Co-Branding Franchise rights is \$8,500. If you purchase Co-Branding Franchise rights to add the Core Jazen Tea® Menu Items, signs and other branding elements to a second or additional Phở Hòa® Restaurant, you will pay a Co-Branding Initial Franchise Fee that is 25% less than the then-current Co-Branding Initial Franchise Fee that Phở Hòa® Restaurant franchisees pay when entering into their first Co-Branding Addendum. In all cases, the Co-Branding Initial Franchise Fee is in addition to the Initial Franchise Fee that you have paid or must pay to acquire the Phở Hòa® Restaurant franchise rights.

As a condition of obtaining Co-Branding Franchise rights, the term of the Co-Branding Addendum and the term of the Phở Hòa® Franchise Agreement must expire on the same date. The Phở Hòa® Franchise Agreement expires 5 years after the Phở Hòa® Restaurant begins selling Phở Hòa® Menu Items to the public, and the Co-Branding Addendum expires 5 years after you begin selling Core Jazen Tea® Menu Items, which may not occur until you purchase and install all Jazen Tea® branding elements and complete Jazen Tea® Basic Training for Co-Branding Franchisees. In order to be eligible to become a Co-Branded Phở Hòa® Restaurant, you must either have at least 5 years left under the then-current term of your Phở Hòa® Franchise Agreement or you must extend the then-current term of the Phở Hòa® Franchise Agreement so that its term expires at the same time as the Co-Branding Addendum.

- If you execute the Co-Branding Addendum and the Phở Hòa® Franchise Agreement at the same time, you must complete all opening requirements under both the Co-Branding Addendum and the Phở Hòa® Franchise Agreement and begin selling Phở Hòa® Menu Items and Core Jazen Tea® Menu Items to the public at the same time, which means that the “Opening Date” and “Co-Branding

Opening Date” will be the same date and the Co-Branding Addendum and the Phở Hòa® Franchise Agreement will expire at the same time.

- If you execute the Co-Branding Addendum, complete the Co-Branding opening requirements and begin selling Core Jazen Tea® Menu Items sometime after your Phở Hòa® Restaurant opens for business, you must acquire additional rights from us to extend the then-current term of your Phở Hòa® Franchise Agreement so that it expires when the Co-Branding Addendum expires, i.e., 5 years after you first begin selling Core Jazen Tea® Menu Items and operating as a Co-Branded Phở Hòa® Restaurant. In this case, the “Co-Branding Opening Date” would be a later date than the Opening Date of your Phở Hòa® Restaurant.
- In order to extend the then-current term of your Phở Hòa® Franchise Agreement so that both the Co-Branding Addendum and the Phở Hòa® Franchise Agreement expire at the same time, you must pay us a Term Extension Fee in the amount shown in this chart in accordance with the provisions of the Co-Branding Addendum. The amount of the Term Extension Fee depends on the number of months by which you must extend the then-current term of your Phở Hòa® Franchise Agreement so that both the Co-Branding Addendum and the Phở Hòa® Franchise Agreement expire at the same time and this, in turn, depends on the Opening Date of your Phở Hòa® Restaurant.

| Extension Period  | Term Extension Fee |
|---|--------------------|
| If you need to extend the term of your Phở Hòa® Franchise Agreement by less than 12 months                          | \$1,500            |
| If you need to extend the term of your Phở Hòa® Franchise Agreement by 12 months or longer, but less than 24 months | \$3,000            |
| If you need to extend the term of your Phở Hòa® Franchise Agreement by 24 months or longer, but less than 36 months | \$5,000            |
| If you need to extend the term of your Phở Hòa® Franchise Agreement by 36 months or longer, but less than 48 months | \$7,000            |
| If you need to extend the term of your Phở Hòa® Franchise Agreement by 48 months or longer                          | \$9000             |

If you apply to purchase Co-Branding Franchise rights during the renewal term of your Phở Hòa® Franchise Agreement, then, in addition to extending the then-current term of your Phở Hòa® Franchise Agreement so that both the Co-Branding Addendum and the Phở Hòa® Franchise Agreement expire at the same time, the Co-Branding Addendum offers you a second option to renew your Phở Hòa® Franchise Agreement so that you may continue to operate as a Co-Branded Phở Hòa® Restaurant if you exercise the renewal option in the Co-Branding Addendum. For the second renewal option, you will pay us the same Renewal Fee that you paid to us in exercising the first renewal option. See additional renewal conditions applicable to Co-Branding Franchisees in Item 17.



To qualify for a multi-unit franchise owner's discount, we must approve your application to buy another Stand-Alone Jazen Tea® Shop Franchise or, if you own more than one Phở Hòa® Restaurant, to acquire Co-Branding Franchise rights for the additional Phở Hòa® Restaurants that you own. In each case, you must meet our then-current financial and performance qualifications applicable to multi-unit franchisees. The award of your first Stand-Alone Jazen Tea® Shop Franchise or first Co-Branding Franchise does not grant you any preferential right to purchase additional Stand-Alone Jazen Tea® Shop Franchises or additional Co-Branding Franchises and we retain discretion over the award of new franchises to our existing franchisees.

You will pay us an application fee of \$300 when you submit the franchise application (**Exhibit E**) to us. If we do not approve your application or if you decide either to withdraw your application or not to purchase a franchise after we approve your application, we will refund half of the application fee. If we approve your application, we will apply the application fee to the Initial Franchise Fee and you will pay the balance of the applicable Initial Franchise Fee when you sign the JT Franchise Agreement (Stand-Alone Jazen Tea® Shop Franchise) or Co-Branding Addendum (Co-Branding Franchise).

We may require payment of the application fee and applicable Initial Franchise Fee either by cashier's check or electronic funds transfer.

The Initial Franchise Fee and Co-Branding Initial Franchise Fee are each fully earned by us when paid in full and not refundable except under the conditions that we explain in this Item 5.

We may reduce the Initial Franchise Fee and Co-Branding Initial Franchise Fee if one of our owners or a management-level employee of our Parent buys a franchise for a Stand-Alone Jazen Tea® Shop or for Co-Branding Franchise rights in connection with the operation of a Phở Hòa® Restaurant, or based on other considerations that in our view warrant a lower fee.

#### **B. Other Initial Fees.**

We refer to the fees and payments in this Section B as "initial fees" because you pay them before your Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant begins its business. Once paid, the initial fees that we described in this Section B are not refundable under any circumstance. We may require payment of initial fees by cashier's check or electronic funds transfer.

As we disclose in Item 8, we will create your menus after discussing with you prices for menu items, which you alone will determine. We will then print the menus for you, ship the menus to you, and send you an invoice for the cost of shipping and printing. We estimate that you will pay us not more than \$100 before the opening date of either your Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant for menus. After the opening date, you will pay for new menus on an ongoing, as needed basis, as we disclose in Item 6.

**C. Security Deposit:** When you sign the JT Franchise Agreement (Stand-Alone Jazen Tea® Shop Franchise), you will pay us a Security Deposit of \$3,000, which we may charge if you fail to pay Royalty Fees or any other payments that you owe to us under the JT Franchise Agreement or for products or services.

If you acquire Co-Branding Franchise rights and have paid a Security Deposit under your Phở Hòa® Franchise Agreement, you will not have to pay a second Security Deposit, but we may

charge the Security Deposit for any fees or payments that you owe to us under the Co-Branding Addendum.

By charging the Security Deposit, we do not waive our right to enforce any other remedies that we may have arising from your default, including terminating the JT Franchise Agreement or the Phở Hòa® Franchise Agreement and Co-Branding Addendum.

If we debit the Security Deposit and choose not to terminate the JT Franchise Agreement or Phở Hòa® Franchise Agreement and Co-Branding Addendum, we will notify you in writing of the amount of the debit, and allow you 15 days in which to restore the Security Deposit to the full amount.

D. Jazen Tea® Proprietary Products; Co-Branding Franchisee Proprietary Products: Before you open a Stand-Alone Jazen Tea® Shop Franchise or a Co-Branded Phở Hòa® Restaurant, you will pay us for an initial inventory of Jazen Tea® Proprietary Products, which include all of the items that we describe in Item 1. If you are a Co-Branding Franchisee, at least one front crew member per shift must be assigned to prepare and serve Core Jazen Tea® Menu Items and wear a Jazen Tea® logo t-shirt while other employees who prepare and serve Phở Hòa® Menu Items will wear a Phở Hòa® logo t-shirt. The initial cost of Jazen Tea® Proprietary Products will vary by franchisee. We estimate that before the Opening Date you will pay us between \$7,500 and \$15,000 for an opening inventory of Proprietary Products. This number is the same whether you are a Stand-Alone Jazen Tea® Shop Franchise or a Co-Branded Phở Hòa® Restaurant.

E. Slack Subscription: Before you open, you must purchase at least one Slack subscription for at least one of your Primary Owners. See Item 6 for a description of Slack Subscription Fees. We collect Slack subscription fees and remit them directly to Slack. We estimate that payments that you make to us before the Opening Date will be \$120.

F. Franchise Application and Method of Payment.

To apply for a Stand-Alone Jazen Tea® Shop Franchise, you must submit preliminary financial and biographical information for yourself and, if you are a business entity, for your owners. We will evaluate this information and decide if more discussion about the Jazen Tea® franchise opportunity would be productive. If there is mutual interest in continuing discussions, you will at that time complete a comprehensive application (**Exhibit E**), pay us the \$300 application fee, and provide us with bank and personal references and any other information that we may reasonably request to complete our evaluation.

We will not process your application until it is complete. Once complete, we have 30 days in which to accept or reject your application once we receive all information from you, and reserve complete discretion in selecting franchisees. Neither our expression of interest in continuing discussions, nor your submission of an application and payment of the application fee, obligates us to sell you a franchise. Neither party has a legal duty to complete the transaction unless you and we both sign the JT Franchise Agreement.

To apply to acquire Co-Branding Franchise rights in connection with the operation of a Phở Hòa® Restaurant, you will pay us a \$300 application fee and complete a short application. The focus of our evaluation will be whether we believe you have adequate financial resources and space in your Phở Hòa® Restaurant to add the Core Jazen Tea® Menu Items and your past

history as a franchise operator. We require you to submit a business plan and current financial statements for the franchisee and your owners with your application.

**G. Conditions for Refunding the Initial Franchise Fee.**

You may terminate the JT Franchise Agreement before requesting site approval from us for a Stand-Alone Jazen Tea® Shop, in which case we will refund you all but \$5,000 of the Initial Franchise Fee when you sign our General Release (**Exhibit H**). To qualify for a refund, you must sign our General Release.

As a franchisee of a Stand-Alone Jazen Tea® Shop, once you obtain site approval, the Initial Franchise Fee is not refundable under any circumstance.

If you acquire Co-Branding Franchise rights to add the Core Jazen Tea® Menu Items, signs and other branding elements to a second or additional Phở Hòa® Restaurant, you will have 60 days from the effective date of the Co-Branding Addendum in which to complete installation of Jazen Tea® branding elements and signs and complete Jazen Tea® Basic Training for Co-Branding Franchisees. We may terminate the Co-Branding Addendum if you fail to complete these requirements in a timely manner, in which case we will refund all but \$5,000 of the Co-Branding Initial Franchise Fee when you sign our General Release (**Exhibit H**). To qualify for a refund, you must sign our General Release.

**ITEM 6.  
OTHER FEES**

**Stand-Alone Jazen Tea® Shop Franchise**

| TYPE OF FEE                 | AMOUNT            | DUE DATE   | REMARKS   |
|-----------------------------|-------------------|--|---|
| Royalty Fee<br>See Note 1   | 4% of Gross Sales | By no later than the 10 <sup>th</sup> day of the month based on Gross Sales during the prior month, from and after the opening date of your Jazen Tea® Shop.<br>We prorate the Royalty Fee for the first calendar month depending on the day of the month that you open your Stand-Alone Jazen Tea® Shop for business. | On 14 days' notice, we may require you to pay Royalty Fees more frequently than monthly, change the payment period, or change the method of paying Royalty Fees, including requiring that you pay fees by electronic funds transfer.<br>We are currently offering a waiver of Royalty Fees for one year from the Opening Date for new franchised locations in California and Washington. You must sign the current form of franchise agreement. If you are an existing franchisee, you must be in good standing under your existing franchise agreements. |
| Marketing Fee<br>See Note 2 | 2% of Gross Sales | Due on the same date as the Royalty Fee.   | The Marketing Fee is in addition to your obligation for local marketing.  |

| TYPE OF FEE   | AMOUNT  | DUE DATE   | REMARKS   |
|---|---|--|---|
| Interest on Late Payments.                                    | 1.5% per month per annum not to exceed the maximum legal rate of interest.  | Interest accrues immediately after due date if you fail to pay full obligation.  | Applies to all amounts payable to us under the JT Franchise Agreement. Interest is payable on the entire overdue amount beginning with the date payment is due until you pay the arrearage, late charge and interest in full.   |
| Remedial Work to Correct Unhealthy or Unsafe Condition        | Service charge equal to 25% of the cost of the remedial or corrective work if we elect to correct any unhealthy or unsafe condition at your Stand-Alone Jazen Tea® Shop. Additionally, you must reimburse us for all of our actual direct costs in performing the work, including for labor, materials, travel, supervision and subcontractors. | Upon receipt of invoice.   | We have no obligation to perform remedial work and, among other things, may exercise our right to terminate the JT Franchise Agreement because of your breach of the obligation to operate in compliance with all laws and in a safe and sanitary manner.   |
| Insurance<br>See Note 3, and additional disclosures in Item 8 | Service charge equal to 25% of the annual cost of new insurance, plus the actual annual cost of new required insurance.   | Upon receipt of invoice.   | The service charge is only payable to us if you fail to carry the insurance we require and if we decide to purchase the required insurance coverage for you. We have no obligation to obtain coverage for you, however, and, among other things, may terminate the JT Franchise Agreement because of your breach. |
| Renewal Fee   | 25% of our then-current Initial Franchise Fee for a new Jazen Tea® franchise at the time when you renew.  | When you give notice of your exercise of the renewal option, at least 6 months, but not more than 9 months, before expiration of the current term. | Item 17 describes the conditions of renewal.<br>If you own more than one Jazen Tea® franchise when you exercise the renewal option, your renewal fee is based on the then-current multi-unit franchise owner's discount for the Initial Franchise Fee.  |

| TYPE OF FEE  | AMOUNT   | DUE DATE  | REMARKS   |
|--|--|---|---|
| Transfer Fee   | <p>25% of our then-current Initial Franchise Fee at the time when you transfer.</p> <p>If the buyer is another existing franchisee, the transfer fee is 15% of our then-current Initial Franchise Fee.</p> <p>For Qualified Transfers, you will pay a transfer fee of \$2,500.</p>   | When you apply for our consent to a proposed transfer.  | <p>Item 17 describes the conditions for transfer.</p> <p>The JT Franchise Agreement defines what events constitute a “transfer” requiring payment of a transfer fee and what constitutes a “Qualified Transfer.”</p> <p>If the same buyer purchases multiple franchises as part of one transaction, we collect separate fees for each franchise; there is no cap. However, the transfer fee is based on the then-current multi-unit franchise owner’s discount for the Initial Franchise Fee.</p> |
| <p>Training Fee (for additional training after the Opening Date)</p> <p>See Note 4</p> | <p>Training fee is based on our then-current rate at the start of training, which currently is \$1,500 to deliver our Management Training course (1 week, 6 days/week). If you request additional training in your Jazen Tea® Shop, you must pay a training fee of \$400/day or partial day. Additionally, you must reimburse us for our reasonable out-of-pocket travel expenses to your Stand-Alone Jazen Tea® Shop.</p> | Before training begins.   | <p>We impose a training fee only with respect to training that we provide to you at your request after your Stand-Alone Jazen Tea® Shop opens. We disclose our then-current training fees in the Manual or by separate written bulletin. You must pay all expenses that you or your employees incur during any training program that we provide to you or your employees, including travel costs, room and board expenses and employee salaries.</p>  |
| Indemnification and Defense  | All costs including attorneys’ fees; amount will vary under the circumstances.   | As we incur expenses and present them to you.   | You must reimburse us for losses which we suffer resulting from the operation of your business. We may retain our own legal counsel. You must reimburse us for our legal and other professional expenses related to the claim.  |
| Testing Fee  | Based on our actual cost, but not to exceed \$250 per request.   | When you request approval to buy from an alternative supplier or to purchase Non-Proprietary Products not approved by us for use or sale in your Phở Hòa® restaurant. | See Item 8. This fee is payable if we inspect a new product, service, or proposed supplier that you wish to use not then authorized by us.  |

| TYPE OF FEE                 | AMOUNT  | DUE DATE  | REMARKS  |
|-----------------------------|---|---|--|
| Cost and Attorneys' Fees    | Will vary under the circumstances.  | Upon settlement or conclusion of claim or action that either one of us may bring against the other. | Awarded to prevailing party.   |
| Replacement Manual          | \$250 per volume, plus shipping expenses.   | Within 10 days of invoice.  | If you lose any physical copy of any volume of the Manual that we provide to you and the loss is the result of your breach of the JT Franchise Agreement, or you are otherwise in default under the JT Franchise Agreement, we may terminate your franchise.   |
| Personal Guaranty           | Amount will vary under the circumstances.   | Upon breach of the JT Franchise Agreement.  | When a business entity owns the franchise, all individuals who own 10% or more of the equity or voting interests of the business entity must individually, jointly and severally, guarantee the entity's performance of the JT Franchise Agreement and will be liable for any breach of the JT Franchise Agreement.  |
| Proprietary Products        | At our current rates which we publish periodically by bulletin or in the Manual   | Typically, 30 day terms. However, we may require payment in full upon delivery.                     | See Items 1, 5 and 8 for identification of Proprietary Products  |
| Management Fee (See Note 7) | The then-current fee that we publish in the Manual, which currently is \$300/day.<br><br>Additionally, you must reimburse us for our reasonable and direct overhead expenses. | Payable monthly at the same time as the Royalty Fee.  | We may impose a Management Fee if we elect to manage the Franchised Business after a death or permanent incapacity that results in a Change of Control.<br><br>Payment of the Management Fee is in addition to payment of all other obligations and fees required to be paid to us under the JT Franchise Agreement including Royalty Fees and Marketing Fees. |

| TYPE OF FEE                          | AMOUNT   | DUE DATE   | REMARKS  |
|--------------------------------------|--|--|--|
| Audit                                | Cost of audit (including our reasonable accounting, legal fees and travel expenses), plus full amount of any underpayment and interest and late charges on any underpayment.   | 30 days after we complete audit results.   | Our costs are only if our audit shows an understatement of Gross Sales for any period of 2% or more. If an audit reveals an underpayment of any amount, you must pay us the full amount due together with interest and late charges.   |
| Menus                                | Cost of printing and shipping at our current rates which we publish periodically by bulletin or in the Manual I  | Upon receipt of invoice  | We must print all menus and you will buy them from us, but you will set prices for all menu items  |
| Taxes<br>See Note 5                  | Amount will vary under the circumstances.  | Within 10 days of invoice.   |  |
| Gift Card Program Administrative Fee | 6% of the face value of the gift cards that you purchase from us   | We collect the Administrative Fee at the time of purchase when you buy gift cards from us. | See additional disclosures in Item 8.  |
| Loyalty Card Administrative Fee      | \$160/month  | Due on the same date and payable for the same period as the Royalty Fee.                   | We may increase this fee by up to 10% on January 1 of each year during the term of your Franchise Agreement.<br><br>See additional disclosures in Item 8.  |
| Slack subscription fees              | You must pay us Slack's current monthly subscription fees, which, as of the issuance date of this Disclosure Document, are \$8/user/month (\$96/year/user). You must purchase a separate subscription for each member of your senior management. | 30 days after invoice  | We hold a master contract with Slack and pass through to our franchisees the monthly subscription fees that Slack charges us. Slack may increase its fees, in which case we will pass this increase on to you without markup. We will invoice you for these fees each month. |

| TYPE OF FEE             | AMOUNT   | DUE DATE  | REMARKS   |
|-------------------------|--|---|---|
| Music subscription fees | You must pay a monthly music subscription fee, which as of the issuance date is \$30 per month.            | 30 days after invoice   | We pass through to our franchisees the monthly subscription fees that our music vendor (currently Pandora) charges us. Pandora may increase its fees, in which case we will pass this increase on to you without markup. We will invoice you for these fees each month. |
| Non-Compliance Fees     | Note 7 lists examples of Non-Compliance Fees for you failure to abide by specific "Performance Standards." | By no later than the 10th day of the month (same time as Royalty Fees) based on any citation notices identifying specific performance defaults during the prior month | We may increase the Non-Compliance Fees by up to 10% on January 1 of each year during the term of your Franchise Agreement.<br><br>By imposing Non-Compliance Fees, we do not waive our right to terminate the Franchise Agreement based on your default.               |



## Co-Branding Addendum Franchise

**(Additional fees payable to us or an affiliate of ours by a Phở Hòa® Restaurant franchisee that elects to offer Core Jazen Tea® Menu Items in addition to Phở Hòa® Menu Items and use the Jazen Tea® Marks, signs and branding elements in operating their Phở Hòa® Restaurant.)**

| TYPE OF FEE   | AMOUNT            | DUE DATE  | REMARKS   |
|---|-------------------|---|---|
| Royalty Fee<br>Co-Branding Addendum<br>Restaurant<br>See Note 1 | 4% of Gross Sales | Under the Co-Branding Addendum, the due date and payment method for paying Royalty Fees and all other fees to us is the same as for paying Royalty Fees and other fees to us under the Phở Hòa® Franchise Agreement.<br><br>The Phở Hòa® Franchise Agreement requires payment of Royalty Fees by no later than the 10th day of each month starting with the first calendar month after your Phở Hòa® Restaurant begins selling Core Jazen Tea® Menu Items. We prorate the Royalty Fee for the first calendar month depending on the day of the month that you begin selling Core Jazen Tea® Menu Items. | The Royalty Fee payable under the Co-Branding Addendum is in addition to the Royalty Fee payable under the Phở Hòa® Franchise Agreement.<br><br>The Phở Hòa® Franchise Agreement provides that, on 14 days' notice, we may require you to pay Royalty Fees more frequently than monthly, change the payment period, or change the method of paying Royalty Fees, including requiring that you pay fees by electronic funds transfer. If we exercise these rights, the changes will apply to Royalty Fees payable under the Co-Branding Addendum.<br><br>We are currently offering a waiver of Royalty Fees for one year from the Opening Date for new franchised locations in California and Washington. You must sign the current form of franchise agreement. If you are an existing franchisee, you must be in good standing under your existing franchise agreements. |
| Marketing Fee<br>Co-Branding Addendum<br>See Note 2             | 2% of Gross Sales | Due on the same date as the Royalty Fee.  | The Marketing Fee payable under the Co-Branding Addendum is in addition to the Marketing Fee payable under the Phở Hòa® Franchise Agreement.<br><br>We may change the frequency, payment period and payment method for the Marketing Fee on 14 days' notice in the same way that we may change the Royalty Fee.<br><br>The Marketing Fee is in addition to your obligation for local marketing. See Note 2.   |

| TYPE OF FEE  | AMOUNT   | DUE DATE  | REMARKS  |
|--|--|---|--|
| Interest on Late Payments.                             | The terms of the Phở Hòa® Franchise Agreement apply (1.5% per month per annum not to exceed the maximum legal rate of interest).   | Interest accrues immediately after due date if you fail to pay full obligation. | Interest is payable on the entire overdue amount beginning with the date payment is due until you pay the arrearage, late charge and interest in full.   |
| Remedial Work to Correct Unhealthy or Unsafe Condition | The terms of the Phở Hòa® Franchise Agreement apply. We may impose a service charge equal to 25% of the cost of the remedial or corrective work if we elect to correct any unhealthy or unsafe condition at your Phở Hòa® Restaurant. Additionally, you must reimburse us for all of our actual direct costs in performing the work, including for labor, materials, travel, supervision and subcontractors. | Upon receipt of invoice.  | We have no obligation to perform remedial work and, among other things, may exercise our right to terminate the Phở Hòa® Franchise Agreement and Co-Branding Addendum because of your breach of the obligation to operate in compliance with all laws and in a safe and sanitary manner.   |
| Insurance<br>See Note 3                                | The terms of the Phở Hòa® Franchise Agreement apply, but coverage extends to all property in your Co-Branded Phở Hòa® Restaurant and the sale and marketing of Core Jazen Tea® Menu Items and use of the Jazen Tea® Marks. We may impose a service charge equal to 25% of the annual cost of new insurance, plus the actual annual cost of new required insurance.   | Upon receipt of invoice.  | The service charge is only payable to us if you fail to carry the insurance we require and if we decide to purchase the required insurance coverage for you. We have no obligation to obtain coverage for you, however, and, among other things, may terminate the Phở Hòa® Franchise Agreement and Co-Branding Addendum because of your breach. |

| TYPE OF FEE  | AMOUNT   | DUE DATE   | REMARKS  |
|--------------|--|--|--|
| Renewal Fee  | 25% of our then-current Initial Franchise Fee for a new Co-Branding Addendum at the time when you renew.   | <p>If you choose to renew the Co-Branding Addendum, you must renew the Phở Hòa® Franchise Agreement. The Renewal Fee is due and payable when you pay the Renewal Fee to renew the Phở Hòa® Franchise Agreement (i.e., at least 6 months, but not more than 9 months, before expiration of the current term).</p> <p>However, you may renew the Phở Hòa® Franchise Agreement without also renewing the Co-Branding Addendum as long as you complete de-identification and remove and return all Jazen Tea® branding elements.</p> | <p>See discussion in Item 5 regarding extending the term of the Phở Hòa® Franchise Agreement when a Co-Branding Franchisee executes the Co-Branding Addendum after the Phở Hòa® Restaurant has opened. The Co-Branding Addendum and Phở Hòa® Franchise Agreement must have the same expiration date. If you buy a Co-Branding Franchise during the renewal term of your Phở Hòa® Franchise Agreement, we will offer you a second renewal term. See additional disclosures in Items 5 and 17.</p> <p>If you own more than one Co-Branded Phở Hòa® Restaurant when you exercise the renewal option, your renewal fee is based on the then-current multi-unit franchise owner's discount for the Initial Franchise Fee.</p> |
| Transfer Fee | <p>25% of our then-current Initial Franchise Fee payable under the Co-Branding Addendum at the time when you transfer.</p> <p>If the buyer is a party to a Co-Branding Addendum or an existing Jazen Tea® franchisee of a Stand-Alone Jazen Tea® Shop, the transfer fee is 15% of our then-current Initial Franchise Fee.</p> <p>If the same buyer purchases multiple Co-Branding Franchises as part of one transaction, we collect separate fees for each franchise; there is no cap. However, we base the transfer fee on the multi-unit franchise owner's discount for the Initial Franchise Fee.</p> | When you pay the transfer fee under the Phở Hòa® Franchise Agreement (i.e., when you apply for our consent to a proposed transfer).  | <p>You must transfer your rights under the Co-Branding Addendum to the same buyer in connection with an event of transfer under the Phở Hòa® Franchise Agreement. The Phở Hòa® Franchise Agreement defines what events constitute a "transfer" requiring payment of a transfer fee and what constitutes a "Qualified Transfer."</p> <p>You may not complete a Qualified Transfer of the Co-Branding Addendum except in connection with a Qualified Transfer under the Phở Hòa® Franchise Agreement. You pay only one Transfer Fee for a Qualified Transfer.</p>  |

| TYPE OF FEE  | AMOUNT   | DUE DATE  | REMARKS  |
|--|--|---|--|
| Training Fee (for additional training that you request and we agree to schedule after the Co-Branded Opening Date)<br>See Note 4 | Basic Training: Training fee is based on our then-current rate at the start of training, which currently is \$1,500 for the basic training course (1 week, 6 days/week).<br>If you request additional training in your Phở Hòa® Restaurant, you must pay the same training fee payable for on-site additional training under the Phở Hòa® Franchise Agreement (currently \$400/day or partial day) plus reimbursement of our reasonable out-of-pocket travel expenses to your Phở Hòa® Restaurant. | Before training begins.   | We impose a training fee only with respect to training that we provide to you at your request after the Co-Branding Opening Date. We disclose our then-current training fees in the Manual or by separate written bulletin. You must pay all expenses that you or your employees incur during any training program that we provide to you or your employees, including travel costs, room and board expenses, and employee salaries. |
| Indemnification and Defense  | The terms of the Phở Hòa® Franchise Agreement apply. All costs including attorneys' fees; amount will vary under the circumstances.  | As we incur expenses and present them to you, within 10 days of invoice.                            | You must reimburse us for losses which we suffer resulting from the operation of your business. We may retain our own legal counsel. You must reimburse us for our legal and other professional expenses related to the claim.   |
| Cost and Attorneys' Fees   | The terms of the Phở Hòa® Franchise Agreement apply. Amount will vary under the circumstances.   | Upon settlement or conclusion of claim or action that either one of us may bring against the other. | Awarded to prevailing party.   |
| Replacement Manual   | \$250 per volume, plus shipping expenses.  | Within 10 days of invoice.  | Upon execution of the Co-Branding Addendum, we will provide you with a copy of, or access to, the Manual.<br><br>If you lose any physical copy of any volume of the Manual due to your breach of the Co-Branding Addendum, or you are otherwise in default under the Co-Branding Addendum, we may terminate both the Phở Hòa® Franchise Agreement and the Co-Branding Addendum.  |

| TYPE OF FEE                     | AMOUNT   | DUE DATE   | REMARKS   |
|---------------------------------|--|--|---|
| Personal Guaranty               | The personal guaranty provided to us under the Phở Hòa® Franchise Agreement will cover obligations due under the Co-Branding Addendum. | Upon breach of the Phở Hòa® Franchise Agreement or Co-Branding Addendum.<br>A breach of the Co-Branding Addendum constitutes a breach of the Phở Hòa® Franchise Agreement, and vice-versa. | The same franchisee that enters into the Phở Hòa® Franchise Agreement must enter into the Co-Branding Addendum. When a business entity owns the Co-Branded Phở Hòa® Restaurant franchise, all individuals who own 10% or more of the equity or voting interests of the business entity must individually, jointly and severally, guarantee the entity's performance of the Phở Hòa® Franchise Agreement and Co-Branding Addendum and will be liable for any breach. |
| Jazen Tea® Proprietary Products | At our current rates which we publish periodically by bulletin or Specified in the Manual  | Typically, 30 day terms. However, we may require payment in full upon delivery.  | See Items 1, 5 and 8 for identification of Proprietary Products   |

#### The Following Notes Accompany the Item 6 Disclosures

**To Whom Payments Are Made:** All payments in Item 6 are made to us. Item 6 does not include fees that we disclose in Item 5 or payments that you make to us or our affiliates for Proprietary Products.

**Refundability:** All payments that we describe in Item 6 are non-refundable.

**Uniformity:** At this time, we impose fees uniformly. However, we retain discretion to reduce fees in individual cases in our discretion.

#### NOTE 1. Gross Sales; Reporting Period.

**Gross Sales.** "Gross Sales" means the aggregate of all revenue and income from operating your Phở Hòa® restaurant, including the actual proceeds received from all sales of food, beverages or other goods, merchandise or services, whether payment is in cash, by credit card, gift cards, or other generally accepted form of payment. Gross Sales also include all proceeds from any business interruption insurance, revenue from the sale of menu items to employees, and the value of products and services bought by customers by redeeming authorized gift cards.

Excluded from Gross Sales are: (i) sales taxes and other taxes separately stated that you collect from customers and pay to taxing authorities; (ii) refunds and credits made in good faith to arms' length customers; (iii) the amount of any checks dishonored or returned and the amount of any charge backs or reversals of credit card transactions with customer; (iv) proceeds from the sale of gift cards; (v) proceeds from isolated sales of trade fixtures having no material effect on ongoing operations; (vi) employee tips; and (vii) the value of menu items that you furnish to employees at no cost to the employee.

If you fail to report Gross Sales to us on time for any accounting period, we may, without waiving our right to terminate the Franchise Agreement, charge you for 120% of your last payment of Royalty Fees and Marketing Fees. Your payment is non-refundable even if you subsequently report your Gross Sales for the accounting period and demonstrate to us that the amount that we charged exceeds the applicable percentage fee based on your actual Gross Sales for the accounting period.

We may change the accounting period for paying and reporting all fees to us on no less than 14 days written notice. For example, instead of paying us Royalty Fees and Marketing Fees on a monthly basis, we may require weekly payments.

**NOTE 2. Local Advertising Expenditures.**

- **Stand-Alone Jazen Tea® Shop** – You must spend a minimum of \$2,000 on grand opening advertising and marketing to publicize the opening of your Stand-Alone Jazen Tea® Shop. We count towards this minimum all expenditures that you make for advertising and marketing before your Stand-Alone Jazen Tea® Shop opens for business through 30 days after the opening day, including your actual costs for any free giveaways that you offer customers during the opening period, but excluding your normal operating expenses including general and administrative expenses and food costs. We may ask you to substantiate your grand opening advertising expenditures. All payments for grand opening advertising and marketing are to miscellaneous third parties, not to us.
- **Co-Branded Phở Hòa® Restaurant** – If you sign the Co-Branding Addendum and Phở Hòa® Franchise Agreement at the same time or before your Phở Hòa® Restaurant opens for business, you will comply with the grand opening advertising and marketing obligations in your Phở Hòa® Franchise Agreement. However, we will increase the minimum amount that you must spend on grand opening advertising and marketing by \$1,000. If you sign the Co-Branding Addendum after your Phở Hòa® Restaurant has opened, you must spend a minimum of \$1,000 specifically to publicize the availability of Core Jazen Tea® Menu Items at your Phở Hòa® Restaurant. We count towards this minimum only those expenditures that you make that predominately feature Core Jazen Tea® Menu Items during the period before the Co-Branding Opening Date to 30 days after the Co-Branding Opening Date. This includes your actual costs for any free giveaways of Core Jazen Tea® Menu Items during the opening period, but excludes your normal operating expenses, including general and administrative expenses and food costs. We may ask you to substantiate your grand opening advertising expenditures. All payments for grand opening advertising and marketing are to miscellaneous third parties, not to us.
- **Local Advertising** – In addition to Marketing Fees, both Stand-Alone and Co-Branding Franchisees must spend a minimum of \$250/month on local advertising of Core Jazen Tea® Menu Items, beginning with the first full calendar month after your Stand-Alone Jazen Tea® Shop opens for business or your Phở Hòa® Restaurant completes installation of Jazen Tea® branding elements and signs and begins selling Core Jazen Tea® Menu Items. This obligation is in addition to expenditures for grand opening advertising even though the time periods may overlap in some cases depending on the day in the prior month that your Stand-Alone Jazen Tea® Shop opens for business or your Phở Hòa® Restaurant is fully co-branded and begins selling Core Jazen Tea® Menu Items. We may increase the minimum \$250 obligation by up to \$25/month effective on January 1 of each year during the initial term. Co-Branding Franchisees must spend the \$250/month on local advertising that predominately features Core Jazen Tea® Menu Items. This obligation is

in addition to a Co-Branding Franchisee's local advertising obligations under the Phở Hòa® Franchise Agreement.

NOTE 3. Insurance Policies. We identify the types and minimum insurance coverage that you must carry and require you to name us as an additional insured on all mandatory insurance. See Item 8.

NOTE 4. Training Expenses.

- Stand-Alone Jazen Tea® Shop - We schedule the Management Training portion of initial training program at a mutually convenient time after you sign the lease for your Stand-Alone Jazen Tea® Shop.

If you want to send later-hires to our Management Training class after your Stand-Alone Jazen Tea® Shop opens, we charge a training fee at the then-current rates that we specify in the Manual. Presently, the training fee for the 1-week Management Training class is \$1,500 per person.

If you request additional training in your Stand-Alone Jazen Tea® Shop after your Stand-Alone Jazen Tea® Shop opens, we charge a per diem fee based on our current rates. Presently, the per-diem fee is \$400/day for a full or partial day. We intend to conduct the 1-week Basic Training class at a Stand-Alone Jazen Tea® Shop in San Jose, California, but may change the location without prior notice to another location in California. You must pay all personal expenses for yourself and your employees to attend training, including transportation, lodging, food, salary and other personal charges.

We may offer continuing training programs and require that you or one of your managers attend specific training to cover new Proprietary Products, services or programs or to address particular aspects of the Jazen Tea® System, including, without limitation, changes to the Jazen Tea® Proprietary Product line, inventory management, supplier relationships, and financial record keeping. In connection with continuing training programs, we will not charge any training fee or tuition or require that more than 2 persons each complete more than 3 days of continuing training during any 24-month period. We expect to conduct continuing training in the San Jose, California area, but may designate another location in California. You are solely responsible for covering the personal expenses of your employees to attend continuing training programs, including transportation, lodging, food, salary and other personal charges.

We may modify our training programs at any time in our discretion, including changing the location, content, duration and manner of conducting training.

You must train your employees whom you do not enroll in our training classes. In all cases, you must pay for all personal expenses for your employees and yourself to attend our training programs, including costs for air and ground transportation, lodging, meals, personal expenses and salaries.

- Co-Branded Phở Hòa® Restaurant – Co-Branding Franchisees receive a 3-day Jazen Tea® Basic Training course, since other information that Stand-Alone Jazen Tea® Shop Franchisees receive in their Jazen Tea® Basic Training will be covered during a Co-Branding Franchisee's Phở Hòa® Basic Training. We schedule the Jazen Tea® Basic Training at a mutually convenient time after you sign the Co-Branding Addendum and, if

your Phở Hòa® Restaurant has not yet opened, schedule it to coincide with Phở Hòa® Basic Training.

Co-Branded Franchisees who require additional training in the Jazen Tea® System after the Co-Branding Opening Date pay the same training fees as Stand-Alone Jazen Tea® Franchisees.

**NOTE 5. Taxes.**

- You must pay us the amount of any state or local sales, use, gross receipts, or similar tax that the state or local government authority imposes on us based on the fees that you pay to us under the JT Franchise Agreement or Co-Branding Addendum, without offset or deduction of any kind. Your obligation to reimburse us for taxes does not extend to income-type taxes which a state or local government imposes on our income.

**NOTE 6. Management Fee.**

The death or permanent incapacity of the Franchisee or a Primary Owner of the Franchisee may result in a Change of Control and trigger an event of transfer that requires our prior written consent. If, immediately after a death or permanent incapacity resulting in a Change of Control, your remaining management cannot demonstrate to our satisfaction that they can operate the Franchised Business in accordance with the requirements of the JT Franchise Agreement during the interim period until they obtain our consent to the event of transfer, we may assume day-to-day management of the Franchised Business for your account for up to 90 days. Out of the Franchised Business' cash flow, we may retain enough to pay ourselves the continuing Royalty and Marketing Fees due under the Franchise Agreement and the Management Fee and reimburse ourselves for our reasonable out-of-pocket expenses. Your obligation for these fees does not depend on the Franchised Business having positive cash flow.

**NOTE 7. Non-Compliance Fees.**

| <b>NON-COMPLIANCE FEES</b>   |  |
|--|--|
| <b>Performance Standard</b>  | <b>Non-Compliance Fee</b>  |
| Offering or selling unauthorized menu items, merchandise, products or services                       | \$500/day per unauthorized menu item, merchandise, product or service that you offer or sell that has not been approved by us in writing |
| Use or display of unauthorized decorations or fixtures   | \$100/day per article for each day that you use or display individual unauthorized décor articles or fixtures                            |
| Use of unauthorized kitchen equipment or POS computer system   | \$100/day per equipment piece for each day that you use unauthorized equipment or POS computer system                                    |
| Failure to submit any operating or financial report or financial statement on or before the date due | \$100/day per report for each day that the report is past due  |

The goal of Non-Compliance Fees is to motivate you to observe the exact requirements of the Jazen Tea® System in order to promote uniformity among Jazen Tea® Shops, ensure consistency in the quality of the products and services that Jazen Tea® Shops serve to customers, strengthen customer confidence in the Jazen Tea® brand name, and improve efficiency of operations. You, alone, are responsible for implementing procedures and training and supervising your employees to comply with all Performance Standards.



We may increase the Non-Compliance Fees identified in the chart by an amount not to exceed 10% on January 1 of each year during the term of your Franchise Agreement.

If more than one Performance Standard default takes place, we may issue a separate citation notice per Performance Standard default. However, we agree not to issue a citation notice more than 90 days after the compliance deadline shown in the column marked "Citation Due Date."

By issuing a citation notice, you agree that we may deduct from your Gross Revenue the particular Non-Compliance Fee corresponding to the Performance Standard default that we describe in the Citation Notice. We agree to accept your payment of the Non-Compliance Fee as our sole remedy and will not issue a notice of default or pursue termination of the Franchise Agreement based on the same Performance Standard default described in the citation notice.

The Franchise Agreement sets a maximum number of Performance Standard defaults subject to the Citation Notice process. It provides that after you receive either (i) six (6) citation notices from us during any 12 month period whether they relate to the same or different Performance Standards; or (ii) two (2) citation notices at any time based on your failure to report a workplace injury by the applicable Citation Due Date, whichever occurs first, we may issue a final citation notice. The final citation notice relieves us from having to accept payment of a Non-Compliance Fee as our sole remedy after the date of the final citation notice if you commit a new default (whether the new default relates to a Performance Standard or some other material breach of the Franchise Agreement). Instead, we may serve you with a written notice of default in accordance with the Franchise Agreement.

**ITEM 7.**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**  
**STAND-ALONE JAZEN TEA® SHOP**

| TYPE OF EXPENDITURE                     | AMOUNT<br>(See Note 1) | METHOD OF PAYMENT   | WHEN DUE  | TO WHOM PAYMENT IS TO BE MADE               |
|---|------------------------|---------------------|---|---|
| Initial Franchise Fee                   | \$10,000               | Cash                | You pay an application processing fee of \$300 with your application ( <b>Exhibit E</b> ) which we credit to the Initial Franchise Fee. You pay the balance when you sign the JT Franchise Agreement. | Us.   |
| Personal Expenses during Basic Training | \$1,000 - \$4,000      | Cash or as arranged | As incurred   | Miscellaneous third parties.<br>See Note 1. |

| TYPE OF EXPENDITURE  | AMOUNT<br>(See Note 1) | METHOD OF PAYMENT   | WHEN DUE   | TO WHOM PAYMENT IS TO BE MADE   |
|--|------------------------|---------------------|--|---|
| Real Estate Costs Including Security Deposit Payable to Landlord                   | \$16,000 - \$79,200    | Cash or as arranged | Upon signing the lease; then, typically, monthly as arranged.  | Landlord.<br>See Note 2.  |
| Leasehold improvements; furniture and decorating costs                             | \$65,000 - \$125,000   | Cash or as arranged | Progress payments or as otherwise arranged.  | Landlord, contractor, suppliers.<br>See Note 3.   |
| Equipment  | \$29,000 - \$35,000    | Cash or as arranged | Upon purchase or as otherwise arranged.  | Equipment suppliers, vendors and other approved third parties. You will buy the tea brewing machines, fructose dispenser and plastic cup sealer machines from us as these are Proprietary Products.<br>See Note 4 |
| Exterior Signs, Interior Menu Boards and Signs                                     | \$4,000 - \$6,000      |                     |  | See Note 5  |
| Point-of Sale ("POS") and Other Software, Computer Hardware and Business Equipment | \$8,600 - \$14,730     | Cash or as arranged | Before opening, upon purchase or as otherwise arranged.<br>Range covers first year, not initial period.  | Third party suppliers.<br>See Note 6  |
| Opening Inventory  | \$15,000 - \$30,000    | Cash or as arranged | You buy an initial opening supply of Proprietary Products from us before your Stand-Alone Jazen Tea® Shop opens. You buy other Non-Proprietary Products that you need by way of your opening inventory before opening. | Us and third party suppliers and vendors.<br>See Note 7   |

| TYPE OF EXPENDITURE  | AMOUNT<br>(See Note 1)  | METHOD OF PAYMENT   | WHEN DUE  | TO WHOM PAYMENT IS TO BE MADE  |
|--|---|---------------------|---|--|
| Tableware, Smallware and Supplies  | \$3,500 - \$4,500   | Cash or as arranged | We will purchase for you the initial supply of beverage cups, bags, containers, and seals bearing the Jazen Tea® logo from us before your Stand-Alone Jazen Tea® Shop opens. We will buy for you other smallwares and supplies that you need before opening.                                      | Us and approved third party suppliers and vendors.<br>See Note 8                                   |
| Professional Fees  | \$12,000 - \$30,000   | Cash or as arranged | Upon billing or as otherwise arranged.  | Third parties, such as architect, accountant and attorney.<br>See Note 9                           |
| Other Security Deposits and Pre-Paid Expenses (Excludes Security Deposit Payable Under the Lease, which we include in Real Estate Costs) | \$6,000 - \$12,000  | Cash or as arranged | You pay us a \$3,000 Security Deposit when you sign the lease. Typically, you pay utility deposits to begin utility services and pay business license fees upon issuance of the license. In some cases, you may have to pre-pay other expenses to obtain goods or services to open your business. | Us, third party vendors and suppliers; government agencies; utility companies, etc.<br>See Note 10 |
| Advertising During Initial Period  | \$2,500 - \$4,500<br>(Includes \$2,000 Minimum Grand Opening Advertising) | Cash or as arranged | As arranged.  | Miscellaneous third parties.<br>See Note 11  |
| Additional Funds (for first 3 months of operations)  | \$10,000 - \$35,000   | Cash or as arranged | You will begin paying Royalty Fees to us in the first full calendar month after your Stand-Alone Jazen Tea® Shop opens. The timing of other expenses varies depending on the nature of expense.   | Us and miscellaneous third parties.<br>See Note 12.  |
| Total  | <b>\$182,600 - \$389,930</b>  |                     |   |  |

## YOUR ESTIMATED INITIAL INVESTMENT – PHỞ HÒA® CO-BRANDED RESTAURANT

### ESTIMATED COSTS TO ADD JAZEN TEA® BRANDED OPERATIONS

| TYPE OF EXPENDITURE   | AMOUNT<br>(See Note 1) | METHOD OF PAYMENT   | WHEN DUE  | TO WHOM PAYMENT IS TO BE MADE  |
|---|------------------------|---------------------|---|--|
| Initial Franchise Fee   | \$8,500                | Cash                | You pay an application processing fee of \$500 with your application ( <b>Exhibit E</b> ) which we credit to the Initial Franchise Fee. You pay the balance when you sign the Co-Branding Addendum. | Us.  |
| Incremental Personal Expenses during Basic Training                             | \$1,000 - \$2,000      | Cash or as arranged | Before or during the 1-week Basic Training class.   | Miscellaneous third parties.<br>See Note 1.                                  |
| Incremental Real Estate Costs Including Security Deposit Payable to Landlord    | \$0                    | Cash or as arranged | Upon signing the lease; then, typically, monthly as arranged.   | Landlord.<br>See Note 2.   |
| Incremental expenses for Leasehold improvements; furniture and decorating costs | \$12,000 - \$14,000    | Cash or as arranged | Progress payments or as otherwise arranged.   | Landlord, contractor, suppliers.<br>See Note 3.                              |
| Incremental expenses for equipment  | \$20,000 - \$25,000    | Cash or as arranged | Upon purchase or as otherwise arranged.   | Equipment suppliers, vendors and other approved third parties.<br>See Note 4 |
| Incremental Exterior Signs, Interior Menu Boards and Signs                      | \$4,000 - \$6,000      |                     |   | See Note 5   |

| TYPE OF EXPENDITURE  | AMOUNT<br>(See Note 1)  | METHOD OF PAYMENT   | WHEN DUE   | TO WHOM PAYMENT IS TO BE MADE  |
|--|---|---------------------|--|--|
| Incremental Point-of Sale ("POS") and Other Software, Computer Hardware and Business Equipment | \$2,500 - \$3,500   | Cash or as arranged | Before opening, upon purchase or as otherwise arranged.<br>Range covers first year, not initial period.  | Third party suppliers.<br>See Note 6                                     |
| Incremental Opening Inventory  | \$15,000 - \$30,000   | Cash or as arranged | You buy an initial opening supply of Proprietary Products from us before the Co-Branded Opening Date. You buy other Non-Proprietary Products that you need by way of your opening inventory before opening.                    | Us and third party suppliers and vendors.<br>See Note 7                  |
| Incremental Tableware, Smallware and Supplies  | \$2,000 - \$3,000   | Cash or as arranged | We purchase for you an initial supply of beverage cups, bags and seals bearing the Jazen Tea® logo from us before the Co-Branded Opening Date. We will buy for you other smallwares and supplies that you need before opening. | Us and approved third party suppliers and vendors.<br>See Note 8.        |
| Incremental Professional Fees  | \$2,000 - \$4,000   | Cash or as arranged | Upon billing or as otherwise arranged.   | Third parties, such as architect, accountant and attorney.<br>See Note 9 |
| Other Incremental Security Deposits and Pre-Paid Expenses                                      | \$0. Per the terms of the Phở Hòa® Franchise Agreement, there are no additional incremental expenses in this category to become a Co-Branded Phở Hòa® Restaurant. |                     | Per the terms of the Phở Hòa® FDD.   | See Note 10  |
| Incremental Grand Opening Advertising  | \$1,000   | Cash or as arranged | As arranged.   | Miscellaneous third parties.<br>See Note 11                              |

| TYPE OF EXPENDITURE   | AMOUNT<br>(See Note 1)      | METHOD OF PAYMENT   | WHEN DUE   | TO WHOM PAYMENT IS TO BE MADE                       |
|---|-----------------------------|---------------------|--|---|
| Incremental Additional Funds (for first 3 months of operations as a Co-Branded Phở Hòa® Restaurant) | \$5,000 - \$15,000          | Cash or as arranged | You will begin paying Royalty Fees to us in the first full calendar month after your Co-Branded Phở Hòa® Restaurant opens. The timing of other expenses varies depending on the nature of expense. | Us and miscellaneous third parties.<br>See Note 12. |
| Total   | <b>\$73,000 – \$112,000</b> |                     |  |   |

The Following Notes Accompany the Item 7 Disclosures

The Item 7 charts are accompanied by detailed notes that explain each expense category and the variables that influence the low and high initial investment estimates. The notes are an integral part of Item 7.

**Initial Period:** Franchise disclosure laws require us to include an estimate of all costs and expenses that we can reasonably anticipate you will need during the “initial period” of the business, which franchise disclosure laws define as 3 months or a longer period if “reasonable for the industry.” We are not aware of any established longer “reasonable period” for the restaurant industry, so our disclosures cover a 3-month period.

In Item 7, the “initial period” begins on the date that you sign the JT Franchise Agreement or Co-Branding Addendum and runs through the end of the first 3 months after your Stand-Alone Jazen Tea® Shop opens for business or your Co-Branded Phở Hòa® Restaurant begins selling Core Jazen Tea® Menu Items.

**Assumptions.** Item 7 discloses likely initial investment expenses for your first Stand-Alone Jazen Tea® Shop or your first Co-Branded Phở Hòa® Restaurant. It therefore excludes any economies of scale that might result from multi-unit ownership. It reflects the Initial Franchise Fee payable by a franchisee for their first Stand-Alone Jazen Tea® Shop or first Co-Branded Phở Hòa® Restaurant. In the case of a Co-Branding Franchisee, it assumes that no extension fees are paid and Co-Branding operations begin at the same time that the franchisee’s Phở Hòa® Restaurant opens for business.

The first Item 7 chart explains the initial investment to develop a Stand-Alone Jazen Tea® Shop. The second Item 7 chart explains the incremental initial investment to develop a Co-Branded Phở Hòa® Restaurant.

“Incremental expenses” are extra costs above and beyond the initial investment to open and begin operating a Phở Hòa® Restaurant that a Stand-Alone Phở Hòa® Restaurant franchisee would likely incur specifically to expand its operations to become a Co-Branded Phở Hòa® Restaurant. Incremental expenses exclude initial investment expenses that a Stand-Alone Phở Hòa® Restaurant franchisee would incur to develop a Phở Hòa® Restaurant. Incremental

costs cover the period from the date that a Co-Branding Franchisee signs the Co-Branding Addendum through 3 months after a Co-Branded Phở Hòa® Restaurant begins selling Core Jazen Tea® Menu Items. If you sign the Co-Branding Addendum at the same time that you sign the Phở Hòa® Franchise Agreement, you will receive a separate Phở Hòa® Franchise Disclosure Document which discloses the estimated initial investment to open and begin operating a Stand-Alone Phở Hòa® Restaurant without the Jazen Tea® extension. If your Phở Hòa® Restaurant is open to the public before you sign the Co-Branding Addendum, you will have previously incurred costs to develop and open your Phở Hòa® Restaurant and those costs are excluded from this Item 7. You should refer to Item 7 of the Phở Hòa® Franchise Disclosure Document for specific information regarding estimated initial investment expenses to open and begin operation of a Stand-Alone Phở Hòa® Restaurant.

We do not offer direct or indirect financing, nor do we guarantee your obligations with third parties.

We rely on the experience of our Parent in operating Stand-Alone Jazen Tea® Shops and our Phở Hòa® Restaurant franchisee that operates the only Co-Branded Phở Hòa® Restaurant to compile these estimates. The figures in Item 7 are estimates only. We cannot predict your actual expenses or your likely initial sales results or selling experience.

Conditions for Refund: See Item 5 regarding the conditions for refunding the Initial Franchise Fee. Other initial fees that you pay to us before opening are not refundable. Certain deposits that you pay, including the lease deposit for the premises lease or under an equipment lease, may be refundable at the end of the lease under the conditions set forth in the third party lease. Otherwise, none of the initial investment payments are refundable unless you negotiate for refund terms with a third party supplier. We make no representation regarding your ability to obtain refund terms with third parties with which you deal in establishing your franchise business.

**NOTE 1. Expenses During Basic Training.**

- Stand-Alone Jazen Tea® Shop - Your expenses for travel, room, board and other miscellaneous expenses will depend on the number of staff members who attend our Management Training course, which is part of our Basic Training program that we deliver before you open. Jazen Tea® Basic Training provides instruction in how to prepare Jazen Tea® Menu Items and address other operating issues relevant to Co-Branding Franchisees. This estimate assumes that 1 employee attends with you and includes an allowance for salary to your employee, but does not allow for any draw to owner. We currently conduct the Basic Training program in San Jose, California. Travel costs will depend on the distance each of you must travel and your personal choice of accommodations and needs.
- Co-Branded Phở Hòa® Restaurant – Co-Branding Franchisees attend 3 days of Jazen Tea® Basic Training since other information that Stand-Alone Jazen Tea® Shop Franchisees receive during their Jazen Tea® Basic Training will be covered during a Co-Branding Franchisee's Phở Hòa® Basic Training. Item 7 shows the incremental expenses to complete Jazen Tea® Basic Training covering extra travel, room, board and other miscellaneous expenses. These estimates assume that 1 employee attends with you and includes an allowance for salary to your employee, but does not allow for any draw to owner. We currently conduct the Basic Training program in San Jose, California. Travel costs will depend on the

distance each of you must travel and your personal choice of accommodations and needs.

**NOTE 2. Real Estate Costs Including Security Deposit Payable to Landlord:**

- Stand-Alone Jazen Tea® Shop - We assume that you locate your Stand-Alone Jazen Tea® Shop in a neighborhood in-line shopping center and that you lease, rather than own or purchase, the real estate. This category excludes real estate acquisition costs and covers rent and related costs payable under the lease for the initial period, which is the period from the date that you sign the JT Franchise Agreement through the end of the first 3 months of operations after the Opening Date.

The low estimate assumes that you pay four months' rent before the Opening Date because you negotiate two months' free rent and it takes six months to complete the build-out process, while the high estimate assumes that you do not negotiate any free rent and that it takes eight months to complete the build-out process, complete Jazen Tea® Basic Training, and prepare for the Opening Date. While we cannot predict your success in negotiating a period of free rent before the Opening Date or a tenant improvement allowance, in our experience landlords frequently provide a period of free rent and some type of tenant improvement allowance as an inducement to tenants. You must adjust these assumptions if you are unsuccessful in negotiating a period of free rent or a tenant improvement allowance.

Our chart assumes that a Stand-Alone Jazen Tea® Shop ranges in size from 800 to 1,200 sq. ft. and that rent ranges from a low of \$2.50/sq. ft. to a high of \$5.50/sq. ft. The rent estimates include an allowance for common area maintenance charges that you may have to pay under your lease if you locate your Stand-Alone Jazen Tea® Shop in an in-line or other type of multi-tenant retail center. Not shown as part of rent are utility costs during the initial period, which we include under the utility deposits category.

The wide low/high range for real estate expenses depends on a number of factors including (i) the actual size, preexisting physical condition and prior use of the approved site; (ii) prevailing rents in the market that you choose at the time that you lease your space; (iii) overall market and economic conditions; and (iv) your own credit rating. In approving a site for a Jazen Tea® Shop, we consider a variety of economic, demographic and geographic factors. As rental rates vary considerably by geographic market, local economic conditions, size and type of space, you should base your own initial investment estimates on the prevailing real estate costs in the market in which you are considering locating your Stand-Alone Jazen Tea® Shop. You should investigate these costs carefully and adjust our figures to take into account your actual costs.

Lease Security Deposit – The low and high estimates both assume that you pay a lease security deposit equal to one month's rent.

These estimates do not reflect additional charges that landlords pass through to tenants that sign a "triple net lease" for a portion of the landlord's real property taxes, insurance, and maintenance expenses in addition to common area



maintenance charges. If you sign a triple net lease, you should adjust our assumptions to reflect your actual lease terms.

- Co-Branded Phở Hòa® Restaurant – We assume that you will have no incremental real estate costs specifically attributable to becoming a Co-Branded Phở Hòa® Restaurant beyond the real estate costs you have already incurred, or will incur, to open the Stand-Alone Phở Hòa® Restaurant. As we note earlier, in most cases, 75% of the rentable area of a Co-Branded Phở Hòa® Restaurant will be dedicated to the preparation and sale of Phở Hòa® Menu Items and 25% will be dedicated to the preparation and sale of Core Jazen Tea® Menu Items.

NOTE 3. Leasehold Improvements; Furniture and Decorating Costs.

- Stand-Alone Jazen Tea® Shop - Leasehold improvements include costs to conform the approved location to our comprehensive specifications for lighting, flooring, mechanical systems, electrical systems, plumbing, carpentry, wall coverings, ceiling treatments, exhaust/ventilation systems, restaurant dining, cooking and storage areas, general trade dress components and other improvements to prepare the Stand-Alone Jazen Tea® Shop for opening. This category also includes the minimal tables and chairs that Stand-Alone Jazen Tea® Shops require. Actual costs will depend on the size, pre-existing condition, location and prior use of the approved site, applicable local building codes, health codes, prevailing economic conditions and the need to use union labor which is generally more expensive than non-union labor. These estimates assume no structural or exterior renovations. Actual costs may be lower if the landlord contributes a tenant improvement allowance in some amount. However, depending on the particular market where you chose to locate your Jazen Tea® Shop and other relevant variables, actual costs for leasehold improvements may be higher than the high estimate shown in the chart. You are responsible for investigating the various factors in your market area influencing the cost of leasehold improvements.
- Co-Branded Phở Hòa® Restaurant – The chart estimates incremental costs to add Jazen Tea® branding elements to your Phở Hòa® Restaurant and purchase additional tables and chairs.

NOTE 4. Equipment.

- Stand-Alone Jazen Tea® Shop – This category covers the cost of the following items: Stand-up freezer, stand-up refrigerator, dispensers for tea and sweeteners, equipment that you must buy from us because we identify them as Proprietary Products (tea brewing machines, fructose dispenser, plastic cup sealer machines), blenders, deli-frig, food processor, and fire extinguisher. The low estimate assumes that you are able to buy certain equipment items pre-owned in good working order. Our chart assumes that you purchase, rather than lease, all equipment. However, your initial expenses may be lower if you lease or finance equipment.
- Co-Branded Phở Hòa® Restaurant – The chart estimates incremental costs for the specific equipment that you will need to prepare Core Jazen Tea® Menu Items that you either do not already own or are not required to purchase to begin

operating a Stand-Alone Phở Hòa® Restaurant, including additional refrigeration equipment, equipment that you must buy from us because we identify them as Proprietary Products (tea brewing machines, fructose dispenser, plastic cup sealer machines), and blenders. We assume no incremental expenses for any of the following since you will have already purchased, or will purchase, this equipment for a Stand-Alone Phở Hòa® Restaurant and we assume that they are adequate to service the sale of Core Jazen Tea® Menu Items and additional customer flow: dishwasher, food processor, exterior and interior signs, reach-in freezer, walk-in refrigerator, fire extinguisher, and dining tables and chairs.

**NOTE 5. Exterior Signs; Interior Menu Boards and Signs**

- We estimate the same initial investment for Stand-Alone Jazen Tea® Franchisees and Co-Branding Franchisees. The low estimate assumes that you locate your Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant in a food court or similar type of facility where you will not require an exterior sign, and the high estimate assumes that the approved location accommodates exterior signs. Co-Branded Phở Hòa® Restaurants must replace their existing Phở Hòa®-branded signs and menu boards with co-branded signs and digital menu boards on which both the Jazen Tea® Marks and Phở Hòa® Marks appear.

**NOTE 6. Point-of-Sale (“POS”) and Other Software, Computer Hardware and Business Equipment.**

- Stand-Alone Jazen Tea® Shop – Item 11 describes the requirements for the POS software that you must use in operating a Stand-Alone Jazen Tea® Shop. This expense category includes (i) payments to Toast Inc. for POS hardware and subscription fees for the first year; (ii) costs for a business computer with high-speed internet, a high-speed computer printer, telephone equipment, and basic office supplies; and (iii) fees for high-speed Internet and phone service during the initial period. You will also need a Slack subscription, but you will pay Slack subscription fees to us as we disclose in Item 6. We include these expenses in Additional Funds.
- Co-Branded Phở Hòa® Restaurant – Stand-Alone Jazen Tea® Shops and Stand-Alone Phở Hòa® Restaurants use the same Toast POS system. The only incremental costs that a Co-Branding Franchisee will have above the cost to open a Stand-Alone Phở Hòa® Restaurant are for additional POS hardware and subscription fees during the initial period above our estimates for a Stand-Alone Jazen Tea® Shop.

**NOTE 7. Opening Inventory.**

- We estimate the same initial investment for Stand-Alone and Co-Branding Franchisees. Opening inventory estimates include a sufficient supply of consumable Proprietary Products (other than uniforms) and Non-Proprietary Products. We account for beverage cups, straws, bags, containers, and seals under the Tableware, Smallware, and Supplies line item.

NOTE 8. Tableware, Smallware and Supplies.

- We estimate that Stand-Alone Jazen Tea® Shop Franchisees and Co-Branding Franchisees will have similar expenses for an initial quantity of beverage cups, straws, bags, containers, and seals bearing the Jazen Tea® logo and cleaning supplies. Co-Branded Phở Hòa® Restaurants will sell Core Jazen Tea® Menu Items in beverage cups bearing only the Jazen Tea® brand. Co-Branding Franchisees will have some incremental expenses for tableware, smallwares and supplies over and above their expenses to open a Stand-Alone Phở Hòa® Restaurant for Jazen Tea® brand beverage cups and additional preparation bowls.

NOTE 9. Professional Fees.

- Stand-Alone Jazen Tea® Shop – Professional fees include fees that you may require during the initial period for architectural and design planning services, legal services and accounting services. It assumes that you do not seek professional help with site evaluation and do not pay any real estate broker fees or for construction administration.
- Co-Branded Phở Hòa® Restaurant – We assume that your only incremental professional fees specifically attributable to becoming a Co-Branded Phở Hòa® Restaurant beyond fees that you have already incurred, or will incur, to open the Phở Hòa® Restaurant will be legal fees to review the Co-Branding Addendum and this Disclosure Document.

NOTE 10. Other Security Deposits and Pre-Paid Expenses.

- Stand-Alone Jazen Tea® Shop – Some equipment suppliers and utility companies may require you to pay a security deposit. This category excludes the security deposit that you pay to the landlord under the real property lease, which we include as part of real estate costs, but includes utility deposits, business license fees and any pre-paid expenses that some suppliers may require. In addition, this category includes the \$3,000 Security Deposit that you pay to us.
- Co-Branded Phở Hòa® Restaurant – The only incremental expense in this category that we specifically attribute to becoming a Co-Branded Phở Hòa® Restaurant is the \$3,000 Security Deposit which we require you to pay to us when you sign the Co-Branding Addendum.

NOTE 11. Grand Opening Advertising.

- Stand-Alone Jazen Tea® Shop – You must spend at least \$2,000 on grand opening advertising and promotion through 30 days after opening your Jazen Tea® Shop for business, but may choose to spend more. We include an allowance for your local advertising expenditures during the initial period under Additional Funds.
- Co-Branded Phở Hòa® Restaurant – Co-Branding Franchisees that open a Co-Branded Phở Hòa® Restaurant and begin sales of Phở Hòa® and Core Jazen Tea® Menu Items at the same time must spend an additional \$1,000 on grand opening advertising and promotion over and above the minimum grand opening

advertising requirement in the Phở Hòa® Franchise Agreement. We credit to this obligation expenses that you incur to advertise and promote your Co-Branded Phở Hòa® Restaurant through 30 days after its opening. If you add Jazen Tea® branding elements and Core Jazen Tea® Menu Items to your Phở Hòa® Restaurant after the Phở Hòa® Restaurant has been open and in business for some time, your minimum grand opening advertising obligation is \$2,000. We credit advertising and promotion expenses that you incur to promote the Jazen Tea® brand and menu items at your Phở Hòa® Restaurant for the first 30 days after the Co-Branding Opening Date.

**NOTE 12.     Additional Funds – Initial Period.**

All figures in Item 7 are estimates only. We cannot guarantee that you will not have additional expenses, or other categories of expenses, to start the franchise business or expand your Phở Hòa® Restaurant operations to include the Jazen Tea® branding elements and Core Jazen Tea® Menu Items. We recommend that franchisees plan not to draw income from operations during the start-up and development stage of the franchise business, which may be a period exceeding the 3-month initial period responsive to the franchise disclosure laws. You must have additional funds available in reserve, either in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses, losses or unanticipated events during the start-up and development stage or beyond. You should review these figures and notes carefully with a business advisor before making any decision to purchase the franchise.

The Additional Funds category excludes any allowance for payments made to a bank or financing company during the initial period on any loan that you may obtain to finance the cost of buying and opening the franchise business. We cannot estimate individual financing costs. However, if you expect to finance initial investment expenses, you should include an allowance for loan expenses and interest payable during the initial period of the business.

In estimating Additional Funds, we make the following assumptions:

- Stand-Alone Jazen Tea® Shop – We estimate that a franchisee buying a Stand-Alone Jazen Tea® franchise will have working capital needs ranging from \$10,000 to \$35,000 to cover miscellaneous expenses during the first 3 months, including salaries to employees and Slack and Pandora subscription fees that you pay to us. We cover real estate costs during the first 3 months in a separate line item. Your needs may vary from another Stand-Alone Jazen Tea® Franchisee based on a variety of factors, including the number of employees that you choose to hire and the salary and other benefits you choose to pay; the extent you will be actively involved in organizational-level, or restaurant-level, operations; your skill, experience, business acumen, operational ability and credit-rating; local competition; local economic conditions, including rent and wage scales and the cost of supplies; and the actual sales levels that you reach during the initial 3-month period. The “Additional Funds” category is not the only source of cash, but is in addition to cash flow from operations. We cannot estimate your cash flow from operations and encourage you to visit operating Stand-Alone Jazen Tea® Shops to evaluate this on your own.

While the Additional Funds category includes an allowance for payroll expenses for opening employees, it does not include any draw or salary to you or other owners of the franchise.

The Additional Funds category also includes:

- An allowance of \$750 for local advertising expenses for 3 months, which is in addition to grand opening advertising. While we do not require you to begin spending a minimum of \$250/month on local advertising until the first full calendar month after the Opening Date, for purposes of the initial investment chart, we estimate your outlay for local advertising during the initial period at 3 X \$250/month. We account for grand opening advertising in a separate line item.
- Premiums for insurance meeting the minimum requirements of the JT Franchise Agreement for the initial period.
- Co-Branded Phở Hòa® Restaurant – We estimate that a Phở Hòa® Restaurant franchisee that expands its operations to incorporate the Jazen Tea® branding elements and Core Jazen Tea® Menu Items will have additional working capital needs for the first 3 months as a Co-Branded Phở Hòa® Restaurant ranging from \$30,000 to \$35,000 to cover miscellaneous expenses specifically attributable to becoming a Co-Branded Phở Hòa® Restaurant, the sale of Core Jazen Tea® Menu Items and other Co-Branding activities. The low estimate assumes no incremental expenses for staffing or insurance specifically attributable to adding the Core Jazen Tea® Menu Items and branding elements and adequate cash flow from the Phở Hòa® Restaurant operations to cover miscellaneous expenses. Both the low and high estimates include:
  - An allowance of \$750 for local advertising expenses for 3 months, which is in addition to grand opening advertising. While we do not require you to begin spending a minimum of \$250/month on local advertising until the first full calendar month after the Co-Branding Opening Date, for purposes of the initial investment chart, we estimate your outlay for local advertising during the initial period at 3 X \$250/month. We account for grand opening advertising in a separate line item.

The Additional Funds category excludes allowance for payments to us for Royalty Fees and Marketing Fees, each of which are based on your Gross Sales, which we cannot estimate.

## **ITEM 8.**

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

#### **A. General Comments.**

In operating a Stand-Alone Jazen Tea® Shop or in expanding your Phở Hòa® Restaurant operations to include the Jazen Tea® branding elements and menu, you must follow our recipes and comprehensive specifications for food handling, preparation, presentation and storage; equipment, supplies, tableware and smallware; retail operating procedures; signs; interior and

exterior appearance and design; insurance; the point-of-sale (POS) computer system and other software applications that you must use that we describe in Item 11; and real estate.

Adherence to these specifications promotes uniformity among Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants, ensures consistency in the quality of the products and services that Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants serve to customers, strengthens customer confidence in the Jazen Tea® brand name, and improves efficiency of operations. The Manual identifies and explains these specifications. We may revise the specifications, in our discretion, as frequently as we believe is necessary through written supplements to the Manual. We will notify you of all changes in writing, and you must conform to all changes within the time that we allow.

We estimate that the proportion of your required purchases and leases to all purchases and leases by you of products and services in establishing and operating your Stand-Alone Jazen Tea® Shop or to become a Co-Branded Phở Hòa® Restaurant is approximately 90% to 100% of all expenses.

**B. Jazen Tea® Proprietary Products; Other Specifications.**

You must purchase from us or our designated affiliate all Jazen Tea® Proprietary Products consisting at this time of the following: Proprietary Products consist of (i) beverage cups, bags and seals bearing the Jazen Tea® logo and related disposables like straws; (ii) Jazen Tea® brand teas, syrup mixes, and dried products (including tapioca pearls, creamer, and egg pudding); (iii) Jazen Tea® uniforms consisting of logo t-shirts which we require your employees to wear while at work; and (iv) certain equipment, namely tea brewing machines, a fructose dispenser and plastic cup sealer machines. As we note earlier, if you are a Co-Branding Franchisee, at least one front crew member per shift must be assigned to prepare and serve Core Jazen Tea® Menu Items and wear a Jazen Tea® logo t-shirt.

We may modify the formulations and specifications of Proprietary Products and add specially-formulated or branded products that are not on the list now, including logo merchandise, pre-packaged ingredients and other types of logo merchandise. By designating an item as a Proprietary Product, it means that you will only be able to buy the item from us or the supplier that we designate following specific purchasing procedures. At this time, we are the only supplier of Proprietary Products. Our Operating Affiliate is not currently a designated or recommended supplier of any items to our franchisees.

We may sell our Proprietary Products in all channels of distribution, both to retail and wholesale customers.

You must order your menus from us, although you may set your own prices. We will create the menu for you, after discussing with you the cost of the menu items. We will then print the menus for you, ship the menus to you, and send you an invoice for the cost of shipping and printing according to our current rates which we publish periodically by bulletin or in the Manual. We use the Marketing Fund to pay the subscription fees for software that allows us remotely to modify all digital menus in all Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants.

We estimate that your aggregate payments to us for all items that we identify as Proprietary Products, including a sufficient number of logo uniforms for your opening employees, will represent approximately 5% of your total initial investment to establish a Stand-Alone Jazen

Tea® Shop or begin selling Core Jazen Tea® Menu Items, and 5% of the normal monthly operating expenses of a Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant. We will derive revenue on account of your payment to us for Proprietary Products. However, we have offsetting costs for the goods and merchandise that we sell to franchisees.

Based on our audited financial statements for our most recent fiscal year ending December 31, 2022, we received total revenue of \$1,308,913.20 from both Phở Hòa® and Jazen Tea® franchisees collectively, of which \$743,977.59 or 57% specifically represents purchases of Proprietary Products by Phở Hòa® Restaurants and Co-Branded Phở Hòa® Restaurants collectively (there were no Stand-Alone Jazen Tea® Shops operating during our most recent fiscal year).

| Fiscal Year Ending 12/31/2022  |                |                         |
|--|----------------|-------------------------|
|  | Phở Hòa®       | Jazen Tea® (Co-Branded) |
| Total Proprietary Products   | \$465,143.00   | \$216,815.03            |
| Total Revenue  | \$1,030,078.76 | \$278,834.59            |
| % Proprietary Products to Gross Revenue (by franchise brand)   | 45%            | 78%                     |
| % Proprietary Products to total Gross Revenue combined for both Phở Hòa® and Jazen Tea® (\$1,265,881.10) | 35%            | 16%                     |

#### C. Purchasing Arrangements.

At this time, the only purchasing arrangements that we have are for Proprietary Products, for which we are the sole supplier. You will order all Proprietary Products from us as you deplete your supply on the terms of our standard invoice.

There are no purchasing or distribution cooperatives in place. In the future, we may negotiate special purchasing arrangements with suppliers of approved products and services. These arrangements may include price discounts based upon the collective volume of purchases by all Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants in the United States. We make no representation about our ability to secure certain prices, payment or credit terms, or delivery conditions.

#### D. Suppliers of Non-Proprietary Products.

At this time, except for Proprietary Products as we define that term in this Disclosure Document, all of the food products, ingredients, condiments, packaging, equipment, supplies and materials that you need to operate your Stand-Alone Jazen Tea® Shop or specifically to sell Core Jazen Tea® Menu Items from your Co-Branded Phở Hòa® Restaurant are Non-Proprietary Products. You may purchase Non-Proprietary Products from any supplier of your own choosing capable of selling items that meet our specifications and quality standards and who are duly licensed in your jurisdiction to sell food items. We evaluate suppliers according to their ability to meet our product specifications; the quality of their storage facility and other criteria bearing on their attention to food safety; their overall business reputation; their ability to fill complete orders by delivery deadlines; and their financial condition. We may also recommend suppliers of Non-Proprietary Products.

To propose a supplier of Non-Proprietary Products that is not currently recommended by us or to apply for approval to use or sell particular Non-Proprietary Products that we do not currently specify, you must submit a written request to us identifying the proposed supplier or item together with samples of the item for examination and/or testing so that Company may evaluate if the supplier or item meet our current specifications and quality standards. Before we will consider your request to buy an alternative product, we may impose a testing fee not to exceed \$250 per alternative product. We will notify you in writing within 30 days after all requested information is received, and any required testing fee is paid, and inspection is made, if we approve the proposed supplier or item and our failure to timely respond shall signify our disapproval of your request. We may revoke our approval of a supplier or item if we determine that doing so is in the best interests of our company or the Phở Hòa® System. Revocation shall be effective immediately upon written notice or by the date specified in our written notice, but, absent an imminent health or safety issue we will allow you a reasonable time to deplete your existing inventory, not to exceed 60 days. Following receipt of our written revocation notice, you may not place any new orders for the particular Non-Proprietary Product or with the supplier that is the subject of the revocation notice.

Any changes or additions to mandatory purchasing standards or procedures are made in writing through supplements to the Manual or other written or electronic communications. We may modify these specifications, recommended suppliers and purchasing procedures in our discretion and you must promptly conform to all changes at your sole expense. Changes will operate prospectively and affect new orders, not existing orders that you place before receiving notice of a change.

We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) because you purchase Non-Proprietary Products from a supplier whom we may recommend. We may, however, terminate your franchise if you purchase or use Non-Proprietary Products not meeting our specifications as set forth in the Manual. During our most recent fiscal year ending December 31, 2022, we received no revenue from third party suppliers on account of their transactions with our franchisees for Non-Proprietary Products or services.

E. Mandatory Addendum to Lease. Stand-Alone Jazen Tea® Shop Franchisees must sign, and have the landlord of the franchise premises sign, our Addendum to Lease (**Exhibit G**). The Addendum to Lease is a contract between you and the landlord of the premises that gives us the option to assume your lease if the JT Franchise Agreement expires or terminates for any reason. Phở Hòa® Restaurant Franchisees must comply with a similar requirement in their Phở Hòa® Franchise Agreement.

F. Insurance. You must carry insurance covering the risks and meeting the minimum coverage conditions that we prescribe in the Manual protecting you and naming us as an additional insured. We summarize these minimum requirements below. These insurance requirements are comparable to the requirements applicable to Phở Hòa® Restaurant Franchisees. Co-Branding Franchisees must determine if they will need additional coverage for expanded operations under the Co-Branding Addendum.

- Stand-Alone Jazen Tea® Shop - We identify the types and minimum insurance coverage that you must carry and require you to name us as an additional insured on all mandatory insurance. We make no representation that the coverage will be sufficient to cover all potential risks and hazards of operation. You need to evaluate if your business will require greater coverage or other types of insurance. Our minimum, mandatory insurance requirements for a Stand-Alone Jazen Tea® Shop are:



1. Comprehensive general liability insurance with minimum coverage of \$2,000,000 combined single limit (including broad form contractual liability), or the higher amount required by the premises lease, insuring you, us and any of our affiliates that we designate against claims for personal injury or property damage from your business operations, including products liability.
2. Workers' compensation and employer's liability insurance, together with any other insurance required by law, or \$500,000 per accident, \$500,000 per disease, and \$500,000 policy limit, whichever is higher;
3. General casualty insurance, including fire and extended coverage, vandalism and malicious mischief insurance for the full replacement value of your premises and its contents, and for any vehicle that you use in your business with the following minimum limits:

| REQUIRED COVERAGE                       | MINIMUM LIMITS OF COVERAGE |
|---|----------------------------|
| General Aggregate                       | \$2,000,000                |
| Products/Completed Operations Aggregate | \$1,000,000                |
| Personal and Advertising Injury         | \$1,000,000                |
| Each Occurrence                         | \$1,000,000                |
| Fire Damage (any one fire)              | \$250,000                  |
| Medical Expense (any one person)        | \$5,000                    |

4. Additional insurance if required by the franchise restaurant lease.
  5. Any person whom you hire as a general contractor or to perform comparable services at your Stand-Alone Jazen Tea® Shop must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and worker's compensation insurance in the minimum amount of \$1,000,000 plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.
  6. We may periodically modify all minimum amounts to reflect inflation, general industry standards or our future experience with claims. If you do not maintain the insurance coverage we require, we may obtain the above insurance coverage for you. For additional conditions applicable to mandatory insurance, see the JT Franchise Agreement.
- Co-Branded Phở Hòa® Restaurant – The terms of the Phở Hòa® Franchise Agreement apply. You must determine if you need to increase your minimum insurance coverage

due to your expanded operations under the Co-Branding Addendum. We do not require Co-Branding Franchisees to carry additional insurance.

G. POS and Computer System.

In operating a Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant, you must use the point of sale (POS) hardware and software system that we designate and a minimum number of terminals to ensure prompt customer service. The POS system that we designate is a cloud-based system that requires high-speed internet connectivity. You must install a firewall/router and network switch for the POS hardware. All POS and computer hardware and software specifications are in the Manual. You must also purchase a monthly subscription to Slack communications software, an instant messaging channel accessible only by Jazen Tea® authorized users that we utilize for internal communication as an alternative to email. See additional disclosures about Slack in Items 6 and 11.

H. Gift Cards and Loyalty Cards.

You must participate in the dual-branded gift program and purchase dual-brand gift cards from us or a designated third party vendor. At this time, we are the exclusive source of dual-brand gift cards. Dual-brand gift cards are redeemable at any Stand-Alone Jazen Tea® Shop, Co-Branded Phở Hòa® Restaurant, or Stand-Alone Phở Hòa® Restaurant in the United States. You must honor dual-brand gift cards if a customer presents a dual-brand gift card for redemption at your Jazen Tea® Shop.

You must also participate in any separate loyalty card program that we require as part of a network-wide requirement for Co-Branded Phở Hòa® Restaurants or Stand-Alone Phở Hòa® Restaurants in the United States. The loyalty card rewards repeat customers with incentives and allows us to gather marketing data about repeat customers. We use a third party to administer this program for us.

Item 6 describes the Gift Card Administrative Fees that we impose on gift card transactions with franchisees (where you purchase gift cards from us). If instead of handling gift card transactions ourselves, we designate a third party vendor, we may derive revenue on account of your purchases of dual-brand gift cards from the designated third party vendor. Item 6 also discloses the Loyalty Card Administrative Fee that we impose to cover the expenses that we pay to a third party to administer the loyalty card program for us.

You may not issue, redeem or otherwise authorize any other type of loyalty or gift card, except those that we approve of in advance.

I. Additional Disclosure re: Suppliers. At this time, no officer of the Company owns an interest in any required, recommended or approved supplier other than owning an interest in our company. It is possible that an officer of the Company owns a nominal interest which they may own in a supplier that is a public company.

## 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<br>JT FRANCHISE AGREEMENT (JT)<br>CO-BRANDING ADDENDUM (A)  | DISCLOSURE<br>DOCUMENT ITEM |
|--|--|-----------------------------|
| a. Site selection and acquisition/lease                    | JT: Paragraph III.A., III.C., III.E.<br>A: Covered in Phở Hòa® Franchise Agreement   | Items 5, 6, 7, 11           |
| b. Pre-opening purchases/leases                            | JT: Paragraph XIII.B., XIII.C.<br>A: Covered in Phở Hòa® Franchise Agreement   | Items 7, 8                  |
| c. Site development and other pre-opening requirements     | JT: Paragraph V.A., V.B., V.C.<br>A: Paragraph V.A.  | Items 6, 7, 11              |
| d. Initial and ongoing training                            | JT: Paragraph VI., XIV.C.<br>A: Paragraph VI   | Items 6, 11                 |
| e. Opening   | JT: Paragraph V.C. and X.A.<br>A: Paragraph V.B.   | Item 11                     |
| f. Fees  | JT: Paragraph XI.<br>A: Paragraph XI   | Items 5, 6                  |
| g. Compliance with standards and policies/Operating Manual | JT: Paragraph II.D., VIII., XIII.<br>A: Paragraph VIII, XIII   | Items 8, 11, 14, 16         |
| h. Trademarks and proprietary information                  | JT: Paragraph VII., IX.<br>A: Covered in Phở Hòa® Franchise Agreement and in Paragraph VII and IX of the Co-Branding Addendum                    | Items 13, 14                |
| i. Restrictions on products/services offered               | JT: Paragraph XIII.B., XIII.C., XIII.D., XIII.E.<br>A: Covered in Phở Hòa® Franchise Agreement and in Paragraph XIII of the Co-Branding Addendum | Items 8, 16                 |

| OBLIGATION   | SECTION IN<br>JT FRANCHISE AGREEMENT (JT)<br>CO-BRANDING ADDENDUM (A)   | DISCLOSURE<br>DOCUMENT ITEM |
|--|---|-----------------------------|
| j. Warranty and customer service requirements          | Not applicable.   | Not applicable.             |
| k. Territorial development and sales quotas            | Not applicable.   | Not applicable.             |
| l. Ongoing product/service purchases                   | JT: Paragraph XIII.B., XIII.C, XIII.D., XIII.E.<br>A: Covered in Phở Hòa® Franchise Agreement and in Paragraph XIII of the Co-Branding Addendum | Items 8, 11                 |
| m. Maintenance, appearance and remodeling requirements | JT: Paragraph XIII.G.<br>A: Covered in Phở Hòa® Franchise Agreement   | Items 6, 8                  |
| n. Insurance   | JT: Paragraph XV.<br>A: Covered in Phở Hòa® Franchise Agreement and in Paragraph XIII.E. of the Co-Branding Addendum                            | Items 6, 7, 8               |
| o. Advertising   | JT: Paragraph X., III.I.<br>A: Paragraph X.   | Items 6, 11                 |
| p. Indemnification                                     | JT: Paragraph XX.B.<br>A: Paragraph XIX   | Item 6                      |
| q. Owner's participation/management/staffing           | JT: Paragraph VI.B., XIII.L.<br>A: Covered in Phở Hòa® Franchise Agreement  | Item 15                     |
| r. Records and reports                                 | JT: Paragraph XII, XIII.F. and XIII.J.<br>A: Covered in Phở Hòa® Franchise Agreement  | Items 8, 11                 |
| s. Inspections and audits                              | JT: Paragraph XII.D., XIV.B.<br>A: Covered in Phở Hòa® Franchise Agreement  | Items 6, 11, 13             |

| OBLIGATION                      | SECTION IN<br>JT FRANCHISE AGREEMENT (JT)<br>CO-BRANDING ADDENDUM (A)  | DISCLOSURE<br>DOCUMENT ITEM |
|---------------------------------|--|-----------------------------|
| t. Transfer                     | JT: Paragraph XIX and VI.B.<br>A: Covered in Phở Hòa® Franchise Agreement and in Paragraph XVII of the Franchise Agreement | Items 6, 17                 |
| u. Renewal                      | JT: Paragraph IV.B., IV.C., IV.D., IV.E.<br>A: Paragraph IV.B.   | Item 17                     |
| v. Post-termination obligations | JT: Paragraph XVI., XVIII.<br>A: Covered in Phở Hòa® Franchise Agreement and in Paragraph XVI of the Co-Branding Addendum  | Item 17                     |
| x. Dispute resolution           | JT: Paragraph XXII.<br>A: Covered in Phở Hòa® Franchise Agreement and in Paragraph XXI of the Co-Branding Addendum         | Item 17                     |
| y. Other (describe)             | Not applicable   | Not applicable              |

## ITEM 10. FINANCING

We do not offer direct or indirect financing, nor do we guarantee your obligations with third parties.

If you obtain financing from a third party lender that is guaranteed by the Small Business Administration, you must execute the Amendment to Franchise Agreement that is attached to the Franchise Agreement as **Schedule G**.

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

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

- A. Before you open your Stand-Alone Jazen Tea® Shop or begin Co-Branding operations, we will provide you with the following assistance:

1. We will provide you with a “hard copy” of, or electronic access to, our Manual, which consists of 365 pages and contains mandatory and suggested specifications, standards and operating procedures, including our proprietary recipes. (JT Franchise Agreement, Paragraphs VIII and IX) At this time, the Manual consists of separate volumes covering operations and recipes. The Manual is confidential and, as between you and us, remains our

property. When the JT Franchise Agreement or Co-Branding Addendum terminates or expires, we will discontinue your electronic access to the Manual and you must return your copy of the Manual and other confidential materials that we may share with you. If we furnish the Manual as a “hard copy,” you must pay us a replacement fee if you lose any volume or portion of the Manual. We may modify the Manual by written supplements to incorporate the changes that we may make to the Manual and will supply you with a copy of all changes. We attach as **Exhibit N** a copy of the Table of Contents of the Manual volumes that exist as of the Issuance Date of this Disclosure Document. **Exhibit N** indicates the total number of pages devoted to each subject as of the date of this Disclosure Document.

2. If you buy a Stand-Alone Jazen Tea® Shop Franchise, we will provide you with specifications for the design, appearance, equipment and leasehold improvements of a typical Stand-Alone Jazen Tea® Shop (except in connection with the resale and assignment of an operating Stand-Alone Jazen Tea® Shop from a franchisee-seller to a prospective franchisee) and a sample layout for kitchen equipment. This information will include our standard décor, interior layout plans and equipment list to help you evaluate potential sites for your Stand-Alone Jazen Tea® Shop. (JT Franchise Agreement, Paragraph V.A.1.) You must adapt the prototype plans and specifications to the specific dimensions of the site that we approve for your Stand-Alone Jazen Tea® Shop at your sole expense, retain architectural, design and contracting services and supervise build-out of your Stand-Alone Jazen Tea® Shop. (JT Franchise Agreement, Paragraph V.A.2.) We also provide Co-Branding Franchisees with specifications for the design, appearance, equipment and leasehold improvements they must make to their Phở Hòa® Restaurant to incorporate Jazen Tea® branding elements and transform it into a Co-Branded Phở Hòa® Restaurant. (Co-Branding Addendum, Paragraph V.A.).

3. While we may offer you possible sites, we have no obligation to do so. You must investigate potential sites in a geographic area available for franchise development. You must present us with one or more proposed sites meeting our general demographic and physical criteria in the form of a comprehensive written site package that includes a letter of intent or comparable agreement with the landlord of the site indicating that the landlord is willing to enter into a lease and our Addendum to Lease (**Exhibit G**). (JT Franchise Agreement, Paragraph III.A.2.b.) We will not approve any site that does not meet our site selection criteria.

In deciding if a Phở Hòa® Restaurant franchisee qualifies for the Jazen Tea® Co-Branding franchise opportunity, we will evaluate your current site and space configuration for purposes of helping you add Jazen Tea® branding elements to your Phở Hòa® Restaurant. Depending on whether your Phở Hòa® Restaurant is open and operating at the time that you sign the Co-Branding Addendum, site selection assistance will either have already been provided or, if you are signing the Phở Hòa® Franchise Agreement and Co-Branding Addendum at the same time, will be provided under the terms of the Phở Hòa® Franchise Agreement.

4. If you buy a Stand-Alone Jazen Tea® Shop Franchise, after we receive your written site proposal, we may visit the area at our expense if we feel it is necessary to inspect the physical or demographic conditions of your proposed site or neighboring area in order to evaluate your proposal. (JT Franchise Agreement, Paragraph III.A.2.c.)

5. After a Stand-Alone Jazen Tea® Shop Franchisee signs the lease for the site that we approve for the operation of a Stand-Alone Jazen Tea® Shop, and after a Co-Branding Franchisee signs the Co-Branding Addendum and has signed a lease for their Phở Hòa® Restaurant, we schedule you for the appropriate Jazen Tea® Basic Training program that we describe elsewhere in this Item 11. Your primary owner and one of your employees with

general management and supervisory responsibilities must complete the Jazen Tea® Basic Training course before you may open your Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant. We schedule Co-Branding Franchisees for 3 days of Jazen Tea® Basic Training at a mutually convenient time since other information that Stand-Alone Jazen Tea® Shop Franchisees receive during their Jazen Tea® Basic Training will be covered during a Co-Branding Franchisee's Phở Hòa® Basic Training. If you have not completed Phở Hòa® Basic Training yet, we make every effort to schedule the two Basic Training courses to coincide.

6. If you buy a Stand-Alone Jazen Tea® Shop Franchise, we will provide 7 days of opening assistance in your Stand-Alone Jazen Tea® Shop, generally during the 3 days before and after that straddle the Opening Date, to help you train your opening staff and implement our operating procedures. The length of opening assistance for Co-Branding Franchisees depends on when you begin selling Core Jazen Tea® Menu Items relative to the Opening Date of your Phở Hòa® Restaurant. Presently, opening assistance for Phở Hòa® Restaurant Franchisees is 7 days, and Co-Branding Franchisees receive an additional 3 days of opening assistance to help you implement the operating procedures specific to Co-Branding activities and train the front crew member or members who will sell Core Jazen Tea® Menu Items. Therefore, if the Co-Branding Opening Date coincides with the Opening Date of your Phở Hòa® Restaurant, we provide a total of 10 days of opening assistance. If the Co-Branding Opening Date is some time after your Phở Hòa® Restaurant's Opening Date, then our opening assistance is only 3 days straddling the Co-Branding Opening Date.

7. We will sell you an opening inventory and supply of Proprietary Products and a sufficient number of Jazen Tea® logo uniforms for your opening staff. (JT Franchise Agreement, Paragraph XIII.B; Co-Branding Addendum, Paragraph XIII.A.).

**B. During the operation of your Stand-Alone Jazen Tea® Shop and Co-Branded Phở Hòa® Restaurant, we provide you with the following assistance:**

1. We will provide regular consultation and advice in response to your inquiries about specific administrative and operating issues regarding your duties under the JT Franchise Agreement or Co-Branding Addendum. In our discretion, we will decide how best to communicate our consultation and advice, whether by telephone, in writing, electronically or in person. The method we choose in your case may be different than the methods we use for another franchisee. (JT Franchise Agreement, Paragraph XIV.A.1; Co-Branding Addendum, Paragraph XIV.). If you request, and we agree to provide, additional on-site training, you must pay us our then-current per day fee that we specify in the Manual, and reimburse us for our reasonable expenses in providing on-site instruction, including, without limitation, expenses for air and ground transportation, lodging, meals, and personal charges. (JT Franchise Agreement, Paragraphs XIV.A.2 and V.F.) Co-Branding Franchisees who request additional on-site assistance regarding preparation of Core Jazen Tea® Menu Items or other duties relative to the Co-Branding program will follow the procedures and pay the additional on-site training fees under their Phở Hòa® Franchise Agreement. (Co-Branding Addendum, Paragraph VI.C.).

2. We may periodically designate different or additional Proprietary Products and Non-Proprietary Products which you may or must stock and promote to prepare or sell Jazen Tea® Menu Items and Core Jazen Tea® Menu Items. (JT Franchise Agreement, Paragraph XIII.B.1.b and XIII.C.2. and Paragraph XIII.C.3.; Co-Branding Addendum, Paragraph XIII.A.).

3. We will fill your orders for additional Proprietary Products reasonably promptly subject to supply shortages and delays that are beyond our control. (See JT Franchise Agreement, Paragraph XIII.B.2; Co-Branding Addendum, Paragraph XIII.A.).

4. In addition to the initial training program, we may periodically offer continuing training classes at operating Stand-Alone Jazen Tea® Shops or other locations that we will designate. (JT Franchise Agreement, Paragraph VI.D.) These programs are made available both to Stand-Alone Jazen Tea® Shop Franchisees and Co-Branding Franchisees. (Co-Branding Addendum, Paragraph VI.).

5. We will periodically visit your Stand-Alone Jazen Tea® Shop and Co-Branded Phở Hòa® Restaurant to inspect your operations, observe and interview your employees and review your books and records (including data stored on your computer systems) in order to verify your compliance with the JT Franchise Agreement and the Co-Branding Addendum. These inspections may be recorded on video or audio tape. (JT Franchise Agreement, Paragraph XIV.B.; Co-Branding Addendum, Paragraph VI.).

6. We will administer the Jazen Tea® Marketing Fund for the benefit of Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants. See additional disclosures in this Item 11. (JT Franchise Agreement, Paragraph X.B.2.; Co-Branding Addendum, Paragraph X.D.).

7. We will review any advertising that you create for your local use. (JT Franchise Agreement, Paragraph X.B.2.; Co-Branding Addendum, Paragraph X.C.).

8. We may periodically revise the Manual to incorporate new developments and changes in the Jazen Tea® System and provide you with a copy of or access to all updates. (JT Franchise Agreement, Paragraph VIII.B; Co-Branding Addendum, Paragraph VIII.).

9. We will supervise the dual-brand gift card program that we describe in Item 8. You may not issue, redeem or otherwise authorize any other gift cards, except those that we approve of in advance. (JT Franchise Agreement, Paragraph XIII.I; Co-Branding Addendum, Paragraph XIII.).

10. We will offer advice and advertising strategies for your grand opening advertising program. (JT Franchise Agreement Paragraph X.A.; Co-Branding Addendum, Paragraph X.B.).

#### C. Advertising Services.

##### 1. Grand Opening Advertising.

Stand-Alone Jazen Tea® Shop - You must spend at least \$2,000 on grand opening advertising to promote the opening of your Stand-Alone Jazen Tea® Shop. This obligation is in addition to your local advertising obligation. If you spend more than \$2,000 on grand opening advertising, we do not credit the excess towards your local advertising obligation.

We help you develop a grand opening promotional program and implementation plan. Grand opening advertising is subject to our approval, which you must obtain in the same manner as local advertising. We credit towards your minimum \$2,000 grand opening obligation all expenses that you incur or pay for advertising or promotion that directly benefits your Stand-Alone



Jazen Tea® Shop if you use, distribute or broadcast the advertising or promotion either before, or within the first 30 days after, your Stand-Alone Jazen Tea® Shop opens for business to the public. Upon request, you must account for your grand opening expenditures by submitting a written report to us using a form in the Manual. (JT Franchise Agreement, Paragraph X.A.)

Co-Branded Phở Hòa® Restaurant – If you sign the Co-Branding Addendum and Phở Hòa® Franchise Agreement at the same time or some time before your Phở Hòa® Restaurant opens for business, you must spend a minimum of \$3,000 on grand opening advertising and marketing (you must comply with the minimum grand opening advertising and marketing obligations in your Phở Hòa® Franchise Agreement which requires you to spend at least \$2,000, and spend another \$1,000 to publicize the availability of Core Jazen Tea® Menu Items at your Phở Hòa® Restaurant). If you sign the Co-Branding Addendum after your Phở Hòa® Franchise Agreement has opened, you must spend a minimum of \$1,000 specifically to publicize the availability of Core Jazen Tea® Menu Items at your Phở Hòa® Restaurant. In each case, we count towards this minimum those expenditures that you make before the Co-Branding Opening Date through 30 days after the Co-Branding Opening Date if the advertising and marketing activities primarily promote the availability of Core Jazen Tea® Menu Items at your Phở Hòa® Restaurant. In determining if you have met the minimum grand opening requirement, we exclude your normal operating expenses including general and administrative expenses and food costs. We may ask you to substantiate your grand opening advertising expenditures.

## 2. Local Advertising.

Beginning with the first full calendar month after your Stand-Alone Jazen Tea® Shop opens for business or your Phở Hòa® Restaurant completes installation of branding elements and begins selling Core Jazen Tea® Menu Items, you must spend a minimum of \$250/month on local advertising to promote your Stand-Alone Jazen Tea® Shop or the sale of Core Jazen Tea® Menu Items at your Phở Hòa® Restaurant. The minimum local advertising obligation is in addition to your grand opening advertising obligation.

You may not use any advertising, promotional or marketing materials to promote your Stand-Alone Jazen Tea® Shop or Jazen Tea® Menu Items or Core Jazen Tea® Menu Items until we approve the advertising and promotional materials. Before distributing or publishing in any media channel any advertising or promotional materials that you create that display the Jazen Tea® Marks or menu items (whether print, broadcast, electronic or digital, including, but not limited to, third party websites and social media websites), you must obtain our written approval of the copy and proposed media or method of distribution. Even if you create your own direct mail/coupons using the slicks that we provide to you, we still require you to submit your proposed direct mail pieces to us as you have modified our templates or slicks. As a condition of our approval, you must give us and other franchisees and licensees the right to use the materials that you develop for your own use without paying you any compensation.

We heavily rely on social media (Google, Facebook, Twitter, Instagram) to promote the Jazen Tea® Marks and encourage our franchisees to utilize social media to advertise and promote their Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant consistent with our written social media policies that we include in the Manual and may revise through Manual updates at any time. We may choose to direct or control all use of social media sites and other forms of electronic communication or institute uniform protocols for social media use in order to promote brand uniformity. (JT Franchise Agreement, Paragraph X.B.2.).

To apply for our approval of local advertising, promotional or marketing materials that you create for your own use, you must submit a copy or transcript of the materials in the exact form you intend to use them. We have 20 days to review your request. If you do not receive our written approval within 20 days, that means we do not approve your materials (unless we notify you that we need additional time to review your materials). If you use materials that we approve, you must use them in the exact form that you submit them to us. (JT Franchise Agreement, Paragraph X.B.2). Our review of your local advertising, promotional or marketing materials is not for the purpose of approving your resale prices over which you have sole control, but to verify that your materials accurately reproduce the Jazen Tea® Marks and convey a message to the public that, in our view, is consistent with the Jazen Tea® System and public image. Co-Branding Franchisees will follow similar procedures in their Phở Hòa® Franchise Agreement to obtain approval of local advertising promoting the offer and sale of Core Jazen Tea® Menu Items at their Co-Branded Phở Hòa® Restaurant or that display the Jazen Tea® Marks. (Co-Branding Addendum, Paragraph X.).

### 3. Marketing Fund.

We administer the Jazen Tea® Marketing Fund for the benefit of all Stand-Alone Jazen Tea® Franchisees and Co-Branding Franchisees. We deposit all Marketing Fees received from Stand-Alone Jazen Tea® Franchisees and Co-Branding Franchisees into the Jazen Tea® Marketing Fund, which we will maintain in an account separate from our other funds.

Co-Branding Franchisees will pay separate marketing fees to us under their Phở Hòa® Franchise Agreement that we deposit into a separate marketing fund and use to promote the Phở Hòa® Marks. We do not co-mingle the two marketing funds.

We will use the Jazen Tea® Marketing Fund to create, develop and publish advertising and promotional programs designed to enhance consumer awareness and the identity of the Jazen Tea® Marks, Jazen Tea® Menu Items and the Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants selling Jazen Tea® products.

As the administrator of the Jazen Tea® Marketing Fund, we direct all advertising and marketing programs and have sole discretion over all creative concepts, materials and endorsements and the geographic, market and media placement of all programs. We may use the Jazen Tea® Marketing Fund to pay for the cost to (i) create, prepare and produce advertising and promotional formats, materials and samples including point of sale materials, advertising slicks and copy, promotional graphics, brochures, mailers, and redeemable coupons; (ii) administer local, regional and national advertising programs, including buying media space or time, outdoor advertising art and space, direct mail lists, administer social media programs, and buy electronic listings in white and yellow page web sites; (iii) maintain our website; (iv) employ advertising, public relations and media buying agencies; (v) support public relations, market and consumer research; (vi) pay subscription fees for the software to modify all digital menu boards in Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants; and (vii) pay expenses directly associated with maintaining and administering the Jazen Tea® Marketing Fund, including the cost to prepare annual accountings, expenses to collect Marketing Fees from delinquent franchisees, and the cost of conducting the Annual Meeting if we decide to hold one. We do not promise that we will spend the Jazen Tea® Marketing Fund in any given geographic region or that the benefits you receive will be in proportion to your contributions.

We will make marketing, advertising and promotional materials available to Stand-Alone Jazen Tea® Franchisees and Co-Branding Franchisees on the same terms. You are responsible for any additional costs to reproduce the materials for your own use and distribution.

We will prepare an annual accounting of the Jazen Tea® Marketing Fund, and will furnish you with a copy upon request. While we will attempt to spend Jazen Tea® Marketing Fund collections on a current basis, we may recover over-expenditures from, and will carry forward under-expenditures to, later accounting periods. We may reimburse ourselves for any direct costs that we or our affiliates incur to maintain and administer the Jazen Tea® Marketing Fund.

During our last fiscal year ending December 31, 2022, we spent the Marketing Funds that we collected as follows: 35% on media placement, 15% on payroll, and 50% on third-party advertising agency fees.

For each Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant that we or one of our affiliates own, we or our affiliate will contribute to the Marketing Fund on the terms and in an amount equal to the then-current rate of contribution set forth in our then-current Disclosure Document for the sale of new franchises. During any time when we have a Marketing Fund in place, but do not have a current Disclosure Document, we or our affiliate will contribute to the Marketing Fund on the terms and at the rate shown in our last Disclosure Document.

See additional disclosures about our obligations regarding the Jazen Tea® Marketing Fund in JT Franchise Agreement, Paragraph X.C. and in Co-Branding Addendum, Paragraph X.D.

4. Local or Regional Advertising Cooperatives. No local or regional advertising cooperatives exist in our franchise system at this time.

5. Advertising Council. At this time, there is no advertising council composed of franchisees that advises us regarding advertising and promotional programs or policies for the Jazen Tea® Stand-Alone or Co-Branded programs. If we form an advisory franchisee advisory council, we may determine the total number of advisory council members and the proper allocation of members who own Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants.

D. Site Selection Criteria.

Stand-Alone Jazen Tea® Shop - Unless you already own or lease a site suitable for development as a Stand-Alone Jazen Tea® Shop, you will begin the site selection process immediately after you and we sign the JT Franchise Agreement. As we disclose in Item 11.A, you alone must evaluate potential sites, subject to our site approval process. We provide you with a copy of our site criteria, specifications for the design, appearance and leasehold improvements of a typical Stand-Alone Jazen Tea® Shop, and a sample layout for kitchen equipment when you sign the JT Franchise Agreement.

We consider the following factors in approving locations for Stand-Alone Jazen Tea® Shops: (i) demographic data for the market area that your Stand-Alone Jazen Tea® Shop will serve, including population age, size and income levels, and residential and commercial usage; (ii) vehicular traffic and convenience of ingress and egress; (iii) general cleanliness and security of the area; (iv) parking availability; (v) visibility and street exposure; (vi) rental rates, lease terms and the landlord's willingness to enter into our Addendum to Lease (**Exhibit G**); (vii) placement

of the proposed location within a multi-tenant development and compatibility of adjacent tenants; (viii) lighting; (ix) square footage, existing condition of proposed location and other amenities; (x) proximity of other Stand-Alone Jazen Tea® Shops or Co-Branded Phở Hòa® Restaurants and competitors; (xi) strategic positioning within the market area; and (xii) building, health, sign and other applicable codes, ordinances, regulations and restrictions that affect the development of the proposed site.

By approving a site for your Stand-Alone Jazen Tea® Shop, we do not guaranty or warrant that operation of the Stand-Alone Jazen Tea® Shop at the site will be successful or profitable. Our approval signifies only that the site meets our current site criteria.

Within 180 days from the date of the JT Franchise Agreement we expect you to complete the following: (i) identify one or more potential locations and submit a site proposal to us, (ii) obtain our approval for your site proposal, (iii) reach an agreement with us regarding the boundaries of your territory, and (iv) sign a lease and Addendum to Lease. Once we approve the site and before you sign the lease, we will notify you of the proposed boundaries of the territory. You should not sign a lease with a third party landlord until we reach mutual agreement as to those boundaries.

If it does not appear that you will complete these requirements within 180 days, you may apply for a 90-day extension by submitting a written extension notice at least 10 days, but not more than 60 days, before the end of the 180-day period. Any extension is subject to our discretion. In considering your request for a 90-day extension, you must demonstrate the efforts you have taken to complete the foregoing requirements and your prospects for completing them by the end of the 90-day extension period.

If, by the end of 180 days (or 270 days if we grant your request for an extension) from the date you and we sign the JT Franchise Agreement, you have not completed conditions (i), (ii), (iii) and (iv) above, we may terminate the JT Franchise Agreement. You may terminate the JT Franchise Agreement at any time, and for any reason, before you sign the lease and Addendum to Lease. We may refund a portion of the Initial Franchise Fee if you or we terminate the JT Franchise Agreement before you sign a lease and Addendum to Lease.

Co-Branded Phở Hòa® Restaurant – If you sign the Co-Branding Addendum and Phở Hòa® Franchise Agreement at the same time, you will follow the site selection procedures in your Phở Hòa® Franchise Agreement which are similar to the procedures applicable to Stand-Alone Jazen Tea® Shops and also require that you and your landlord execute an Addendum to Lease. A Co-Branding Franchisee that is already operating a Phở Hòa® Restaurant when the franchisee executes the Co-Branding Addendum will have already completed site selection and execution of a lease and Addendum to Lease.

E. Typical Length of Time Between Signing JT Franchise Agreement and Opening.

Stand-Alone Jazen Tea® Shop – From the date that we issue our Site Approval Notice, in our experience, it typically should take you another 6 to 8 months to execute the Lease and Addendum to Lease and complete all pre-opening obligations. This includes securing any necessary financing and building permits, developing architectural and design plans, completing leasehold improvements, installing equipment and completing the Basic Training program before and in connection with the opening of your Stand-Alone Jazen Tea® Shop. The JT Franchise Agreement obligates you to use your best efforts to open for business within 6 to 8 months after the date of our Site Approval Notice.

Before you open, you must obtain from us a written certificate signifying that the Stand-Alone Jazen Tea® Shop, as built-out, substantially conforms to our design specifications, and that you have met the other pre-opening requirements, including satisfactorily completing Jazen Tea® Basic Training and presenting us with proof of insurance. (JT Franchise Agreement, Paragraph V.C.1.)

Co-Branded Phở Hòa® Restaurant – If your Phở Hòa® Restaurant is already open to the public when you sign the Co-Branding Addendum, we anticipate that it will take 6 to 8 months from the date of the Site Approval Notice to complete the purchase and installation of Jazen Tea® branding elements, complete Jazen Tea® Basic Training for Co-Branding Franchisees, and begin selling Core Jazen Tea® Menu Items. If you sign the Co-Branding Addendum and Phở Hòa® Franchise Agreement at the same time, we do not anticipate that complying with the additional opening requirements specific to adding Core Jazen Tea® Menu Items and completing the Jazen Tea® Basic Training course will extend the 6 to 8 month period that we anticipate it will take you to open your Phở Hòa® Restaurant after you sign the lease and Addendum to Lease for the Phở Hòa® Restaurant.

F. Computer Systems.

Stand-Alone Jazen Tea® Shop – You must purchase an annual subscription to Slack communications software, a cloud-based intranet channel that consolidates messaging functions, tools and files and facilitates communication between members of your organization and ours more efficiently than email. Slack is an independent third party provider with headquarters in San Francisco, California. The Slack communications channel requires no special hardware to operate other than a computer with a current Android or Apple operating system and high-speed internet capability. We hold a master contract with Slack and pass through to our franchisees the Slack monthly subscription fees, which, as of the issuance date of this Disclosure Document, are \$8/month/user (\$96/year/user). Each of the members of your senior management must have a Slack subscription. We will invoice you for these fees each month. See Item 6.

In operating your Stand-Alone Jazen Tea® Shop, you must use Toast POS, a cloud-based POS system that eliminates the need for an on-site server. Toast, Inc., with headquarters in Boston, Massachusetts, is a leading provider of cloud-based point of sale software and payment processing solutions for restaurants. You must use the exact Toast POS configuration that we specify and may not modify or give Toast POS instructions to modify this configuration or prevent our remote access to your Toast POS system.

You must arrange a monthly software subscription with Toast POS for each register/terminal, which includes help desk support. You will need to pay Toast POS an initial activation fee of \$1,600, which includes installation of all terminals. All fees are payable to Toast POS directly. As of the issuance date of this Disclosure Document, Toast POS subscription fees are as follows:

|   |                                   |
|---|-----------------------------------|
| 1 <sup>st</sup> Terminal (Required)   | \$55/month                        |
| Additional Terminal (we require a minimum of 2 terminals per Stand-Alone Jazen Tea® Shop) | \$30/month                        |
| Gift Card Program (Required)  | \$25/month (covers all terminals) |
| Online Ordering (Optional)  | \$25/month (covers all terminals) |

|                                   |                                   |
|-----------------------------------|-----------------------------------|
| Kiosk Terminal (Optional)         | \$65/month                        |
| Handheld Device (Optional)        | \$25/month                        |
| Help Desk Subscription (required) | \$75/month (covers all terminals) |

Toast POS sets these fees and may increase them subject to the terms of the Toast POS subscription agreement that you will sign. The monthly subscription fees cover the cost of all updates, which are performed automatically.

You must purchase or lease Toast POS Hardware at the then-current rates that Toast POS publishes. You must open with at least 2 POS registers/terminals, 2 thermal printers, and one cash drawer, and you must install a firewall/router and network switch for the POS hardware.

Given the requirement that you use at least 2 Toast POS terminals, we estimate that you will pay Toast POS subscription fees equal to \$185/month according to Toast's current subscription rates. We also estimate that the cost to purchase Toast hardware and related equipment will range from \$7,600 to \$10,730 in the first year of operation. We estimate that the annual cost of optional or required maintenance, updating, upgrading, or support contracts for the Toast POS system is \$900/year, which represents the annual help desk subscription fee payable to Toast of \$75/month. Updates to the Toast POS software are furnished as part of the basic subscription price.

You must prepare and submit monthly financial statements following generally accepted accounting principles and any additional accounting reporting requirements that we specify in the Manual. We do not recommend or require use of a particular brand of accounting software.

You must use a computer with high-speed internet capability, but we do not provide specifications for brand or model or for other business equipment, which you may purchase from any supplier. We estimate that your cost to purchase business equipment (computer, high-speed printer, fax, and miscellaneous office supplies) will be less than \$3,000 during the first year of operation. The business computer must include anti-virus software. In operating your business, you must use the latest version of the particular software applications that we designate.

We may require you to use different hardware and software systems in the future. There are no contractual limitations on the frequency or cost of upgrades or changes in the computer systems that we may impose.

You must have an Internet connection for communicating sales and back-office data to us electronically. You must maintain and keep your computer system on, with appropriate modem and connectivity, to enable on-line communication between your computer system and our computer systems and our independent access to, and retrieval of, data from your computer and cash register systems with access available to us at all times. (JT Franchise Agreement, Paragraph XIII.F.) Nothing in the JT Franchise Agreement or any other contracts that you sign with us limits our right to access or use the data that we retrieve from your computer system.

Co-Branded Phở Hòa® Restaurant – Stand-Alone Jazen Tea® Shops use the same computer systems as Phở Hòa® Restaurants. The only incremental costs to a Co-Branding Franchisee above the requirements of their Phở Hòa® Franchise Agreement is to add a separate terminal and printer for the sale of Core Jazen Tea® Menu Items, which will result in an additional software subscription fee payable to Toast POS.

G. Training.

**TRAINING PROGRAM**

**STAND-ALONE JAZEN TEA® SHOP FRANCHISEES  
AND CO-BRANDING FRANCHISEES WHO SIGN THE CO-BRANDING ADDENDUM AND  
PHỞ HÒA® FRANCHISE AGREEMENT AT THE SAME TIME**

| <b>Column 1<br/>SUBJECT</b> | <b>Column 2<br/>HOURS OF CLASSROOM<br/>TRAINING</b> | <b>Column 3<br/>HOURS OF<br/>ON-THE-JOB TRAINING</b>   | <b>Column 4<br/>LOCATION</b>  |
|-----------------------------|---|--|---|
| Basic Training Program      | 16 hours  | 32 hours   | We conduct classroom training and on-the-job training in or near San Jose, California |
| Opening Training            | Not Applicable.                                     | Approximately 24 hours over 3 days generally straddling the grand opening day. Generally, 8 hours/day. | Your Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant                    |

Jazen Tea® Basic Training is a comprehensive 1-week (6-day) course providing administrative and operational classroom instruction in the Jazen Tea® System and hands-on training in operating a Stand-Alone Jazen Tea® Shop. During Jazen Tea® Basic Training, we cover the following subjects: (i) food handling, recipe execution and food presentation; (ii) kitchen and restaurant operations; (iii) use of the designated POS system; (iv) health and food safety procedures; (v) the organization of key personnel in your Stand-Alone Jazen Tea® Shop (e.g., Certified Manager and Jazen Tea® front crew and back crew); (vi) product ordering, management, inventory and cost controls; (vii) equipment purchasing and maintenance; (viii) local advertising and marketing strategies for promoting your Stand-Alone Jazen Tea® Shop; (ix) customer service; (x) the philosophy and culture of the Jazen Tea® System and review of the Manual; (xi) delegation of operating functions to opening employees; (xii) franchisee reporting requirements; and (xiii) implementing a grand opening marketing program for your Stand-Alone Jazen Tea® Shop. The Jazen Tea® front crew will prepare and serve beverages, and the back crew will prepare teas, prep fruit, handle cooking and food preparation, and keep the back kitchen area organized and stocked.

Co-Branding Franchisees receive a 3-day Jazen Tea® Basic Training course, since other information that Stand-Alone Jazen Tea® Shop Franchisees receive during their Jazen Tea® Basic Training will be covered during a Co-Branding Franchisee's Phở Hòa® Basic Training. We schedule the Jazen Tea® Basic Training at a mutually convenient time after you sign the Co-Branding Addendum and, if your Phở Hòa® Restaurant has not yet opened, we schedule it to coincide with Phở Hòa® Basic Training.

## TRAINING PROGRAM

### CO-BRANDING FRANCHISEES WHO SIGN THE CO-BRANDED ADDENDUM AFTER THEIR PHỞ HÒA® RESTAURANT IS OPEN TO THE PUBLIC

| Column 1<br>SUBJECT    | Column 2<br>HOURS OF CLASSROOM<br>TRAINING | Column 3<br>HOURS OF ON-THE-JOB<br>TRAINING  | Column 4<br>LOCATION   |
|------------------------|--|--|--|
| Basic Training Program | 0  | 24 hours   | We conduct on-the-job training in or near San Jose, California |
| Opening Training       | Not Applicable.                            | A minimum of 24 hours over 3 days generally straddling the Co-Branding Opening Date. Generally, 8 hours/day. Opening Assistance is longer if you open your Phở Hòa® Restaurant at the same time. | Your Co-Branded Phở Hòa® Restaurant                            |

See generally, JT Franchise Agreement, Paragraph VI; Co-Branding Addendum, Paragraph VI.

Co-Branding Franchisees may use the same Certified Manager to supervise performance of all employees in the Co-Branded Phở Hòa® Restaurant. The back crew may take care of prepping and cooking both Core Jazen Tea® Menu Items and Phở Hòa® Menu Items, but there must be at least one front crew employee who only prepares and serves Core Jazen Tea® Menu Items.

Before you open your Stand-Alone Jazen Tea® Shop or begin selling Core Jazen Tea® Menu Items at a Phở Hòa® Restaurant, you must complete our initial training program, which presently consists of 2 parts: Basic Training and Opening Training. For instructional materials, we primarily use the Manual. Co-Branded Franchisees receive a 3-day Basic Training program beyond what they receive as Basic Training for Phở Hòa® Restaurant Franchisees. Co-Branding Franchisees receive another 3 days, or 24 hours, of Opening Training beyond what we provide under the Phở Hòa® Franchise Agreement to help train employees in the preparation and sale of Core Jazen Tea® Menu Items and implement Co-Branding activities.

We schedule Basic Training by mutual arrangement. We do not limit the number of persons who may attend the same pre-opening Basic Training class with you (subject to space availability). At a minimum, you and at least one of your management-level employees must successfully complete the Basic Training class to our reasonable satisfaction before we permit your Stand-Alone Jazen Tea® Shop to open for business or your Phở Hòa® Restaurant to begin offering Core Jazen Tea® Menu Items. You may have to postpone your scheduled opening date so that your management team can complete additional training to our reasonable satisfaction.



At this time, we run Basic Training classes at an operating Stand-Alone Jazen Tea® Shop or facility in Sacramento and San Jose, California, but we may designate another operating Stand-Alone Jazen Tea® Shop in California. Quoc Phan and Sinich Kem, whose resumes are in Item 2 of this Disclosure Document, manage the Basic Training program for us at this time.

For Stand-Alone Jazen Tea® Franchisees, Opening Training is provided over 7 consecutive days in your Stand-Alone Jazen Tea® Shop at the time it is ready to open for business. Generally, we schedule Opening Training to begin 3 days before the Opening Date and it runs through the 4th day after opening. During that time, one of our staff members works in your Stand-Alone Jazen Tea® Shop to help you train your opening employees and ensure a smooth opening.

For Co-Branding Franchisees, Opening Training to implement Jazen Tea® operating systems is 3 days, which we schedule to straddle the Co-Branding Opening Date. If your Phở Hòa® Restaurant is not yet open, you receive 7 additional days of Opening Training under the Phở Hòa® Franchise Agreement, for a total of 10 days of Opening Training straddling the Opening Date although the training programs for implementing Phở Hòa® and Jazen Tea® operating procedures are different. You may not begin selling Core Jazen Tea® Menu Items until you complete Opening Training.

We do not charge any fee or tuition to provide the initial training program to Stand-Alone Jazen Tea® Franchisees or Co-Branding Franchisees. We may charge our then-current training fee if you want to send a later hire to a Basic Training class after your Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant opens or if you ask us to conduct additional training in your Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant after opening. We may limit enrollment in our Basic Training classes based on space availability. You are solely responsible for covering the personal expenses of your employees attending training, including transportation, lodging, food, salary and other personal charges.

We may offer continuing training programs in the Jazen Tea® System and require that you or one of your managers attend specific training to cover new Jazen Tea® Proprietary Products, services or programs or to address particular aspects of the Jazen Tea® System, including, without limitation, changes to the Jazen Tea® Proprietary Product line, inventory management, supplier relationships, and financial record keeping. Continuing training sessions may address new recipes and other topics of common interest to Stand-Alone Jazen Tea® Shop Franchisees and Co-Branding Franchisees with respect to sales of Core Jazen Tea® Menu Items, including customer relations, personnel administration, advertising programs and local promotions. We will determine the length and location of continuing training classes and designate classes as either mandatory or optional. At this time, we expect to conduct continuing training in San Jose, California. We will not charge any training fee or tuition or require that more than 2 persons each complete more than 3 days of continuing training during any 24-month period. There are additional training fees for additional training that you request and that we agree provide to you to assist you and your employees or training later hires. You are solely responsible for covering the personal expenses of your employees attending continuing and additional training programs, including transportation, lodging, food, salary and other personal charges. Co-Branding Franchisees may participate in Jazen Tea® continuing training programs to the same extent as Stand-Alone Jazen Tea® Shop Franchisees.

We may modify our training programs at any time.

## ITEM 12. TERRITORY

### Stand-Alone Jazen Tea® Shop

- If you choose to locate your Stand-Alone Jazen Tea® Shop in a Metropolitan Urban Core Area, we will not assign your Stand-Alone Jazen Tea® Shop an exclusive territory. “Metropolitan Urban Core Area” is a term that is defined by the U.S. Office of Management and Budget as a geographic area within the boundaries of a Metropolitan Statistical Area as possessing a high concentration of residents or daytime workers. Examples of a Metropolitan Urban Core Area are the Borough of Manhattan or downtown Chicago or San Francisco. The Office of Management and Budget publishes geographic, statistical and population data relying on the most recent U.S. census data. If you locate your Stand-Alone Jazen Tea® Shop in a Metropolitan Urban Core Area, 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.
- If you choose to locate your Stand-Alone Jazen Tea® Shop outside of a Metropolitan Urban Core Area, we will assign your Stand-Alone Jazen Tea® Shop its own territory as part of your franchise rights. Your territory will be an area measuring approximately 3 miles drawn from the front door of your Stand-Alone Jazen Tea® Shop, the boundaries of which we will identify by the closest roads or other geographic or political boundaries. We will not open or award a franchise to anyone else to open a Stand-Alone Jazen Tea® Shop in the territory that we assign to you. In other words, your Stand-Alone Jazen Tea® Shop will be the only Stand-Alone Jazen Tea® Shop that we will approve for operation in the 3-mile territory that we assign to your Stand-Alone Jazen Tea® Shop.

When we approve your site, we will notify you in writing of the proposed boundaries of your territory (unless you locate your Stand-Alone Jazen Tea® Shop in a Metropolitan Urban Core Area, in which case you do not receive a territory). We must mutually agree upon the boundaries. If you have questions about whether we would classify a particular site as being within a Metropolitan Urban Core Area, you should ask us before spending significant time on the proposal for that site. By signing the Lease and Addendum to Lease, you signify your approval of the territory that we assign to a site that is not within a Metropolitan Urban Core Area.

If you desire to have a 3-mile territory and have questions about whether we would classify a particular site as being within a Metropolitan Urban Core Area, you should ask us before spending significant time on the proposal for that site. By signing the lease and Addendum to Lease, you signify your approval of the boundaries of the territory that we assign to a site that is not within a Metropolitan Core Area.

By assigning your Stand-Alone Jazen Tea® Shop a 3-mile territory, we agree that we will not open or allow our affiliates or franchisees to open a Stand-Alone Jazen Tea® Shop in your territory. You do not have any exclusive or superior right to service customers who reside within your 3-mile territory.

Your franchise and territorial rights are not subject to any minimum sales quota or other kind of sales or market penetration contingency.

The JT Franchise Agreement does not give you a right of first refusal or any preferential right to acquire additional franchises.

You may relocate your Stand-Alone Jazen Tea® Shop only to a location that we approve of in writing at your expense. Relocation is subject to certain conditions that we specify in the JT Franchise Agreement. You must use your best efforts to complete relocation without any interruption in the continuous operation of your Stand-Alone Jazen Tea® Shop unless you obtain our prior written consent. The new location need not be within your original territory, but will be subject to the rights of any existing Stand-Alone Jazen Tea® Shop Franchisee or Co-Branding Franchisee operating a Co-Branded Phở Hòa® Restaurant. As a condition of consenting to a temporary closure until you complete relocation, we may require you to pay Royalty Fees and Marketing Fees based on the average fees paid during the 6 months before the closure.

You may not engage in wholesale sales of any kind without our prior written consent. “Wholesale sales” include the sale or distribution of merchandise or products to a third party for resale, retail sale or other method of distribution. The JT Franchise Agreement authorizes you to engage only in retail transactions of authorized products and services to customers for their own use and consumption at your Stand-Alone Jazen Tea® Shop.

You may offer your customers take-out and delivery through approved third party delivery services like UberEats, GrubHub, and DoorDash. We identify approved third party delivery services in the Manual. You must obtain our prior written approval in order to use another delivery service provider in the manner that we describe for alternative vendors. We may restrict the area within which you may make deliveries to your territory or to a larger area that we determine in order to ensure the quality of the foods and beverages sold through delivery and minimize conflicts with a neighboring Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant. If we allow you to deliver within an area that is larger than your territory, we make no representation that your delivery area will be equal in size to the delivery area that we assign to other franchisees. The size of a delivery area will depend on many factors, including traffic flow and congestion and proximity to other Stand-Alone Jazen Tea® Shops or Co-Branded Phở Hòa® Restaurants.

We reserve all other distribution rights that we do not expressly grant to you. By distribution rights, we mean all alternative forms and channels of distribution, regardless of whether we use the method now or adopt it in the future. For example, we may directly or indirectly sell the Jazen Tea® teas and other Proprietary Products including logo merchandise through other retail and wholesale channels of distribution, including by means of the Internet, mail order catalogues, direct mail advertising, and from supermarkets, restaurants and other food service businesses that do not do business under the Jazen Tea® name without paying you any compensation. The Franchise Agreement forbids you from engaging in alternative forms or channels of distribution like selling Proprietary Products on the Internet or through any other means.

Additionally, we may open another type of restaurant in our territory using a different mark that features the same kinds of beverages and menu items that we sell at Stand-Alone Jazen Tea® Shops or that use our Proprietary Products without paying you any compensation.

Co-Branded Phở Hòa® Restaurant – The Phở Hòa® Franchise Agreement explains the terms of your territorial rights and our reserved rights. The Co-Branding Addendum does not alter those rights or modify the protected area, if any, that we have assigned to your Phở Hòa® Restaurant. We reserve all other distribution rights that we do not expressly grant to you. Your Co-Branding Franchise rights are not subject to any minimum sales quota or other kind of sales or market penetration contingency. The Co-Branding Addendum does not give you a right of first refusal or any preferential right to acquire additional franchises.

Because of the rights that we reserve, you may face competition from other channels of distribution in which we or our affiliates engage.

### **ITEM 13. TRADEMARKS**

Your right to use the Jazen Tea® Marks is subject to strict rules. You may not use any part or feature of the Jazen Tea® Marks in your corporate, fictitious or other business entity name or with any prefix, suffix or other modifying words, terms, designs, colors or symbols, except that Co-Branding Franchisees will use the Jazen Tea® Marks and Phở Hòa® Marks together in the manner that we instruct and not in any other way.

You may not use the Jazen Tea® Marks to sell any unauthorized goods or services, in a way contrary to our instructions, or in a way that could result in our liability for your debts. When you use the Jazen Tea® Marks, you must apply the special notices of registration that we designate.

The word mark, JAZEN TEA®, is registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

| Registration Number | Description of Mark    | Registration Date | Registered Owner |
|---------------------|------------------------|-------------------|------------------|
| 4512664             | JAZEN TEA® (word mark) | April 8, 2014     | Parent           |

Our Parent has filed all required affidavits.

Our Parent granted us a perpetual license to operate, and to grant sublicenses to third parties to operate, Stand-Alone Jazen Tea® Shops under the Jazen Tea® System and Jazen Tea® Marks in the United States and Co-Branded Phở Hòa® Restaurants, and to administer support programs for our franchisees. The license agreement does not significantly limit our right to use or license the use of the Jazen Tea® Marks in a manner material to the franchises that we offer for sale. We and our Parent plan to enter into a formal written license agreement consistent with these terms.

We are not aware of any (i) currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court; (ii) pending infringement, opposition or cancellation proceedings; or (iii) pending material litigation involving any of the Jazen Tea® Marks. We are not aware of any potentially infringing or prior superior uses of marks that we believe are confusingly similar to the Jazen Tea® Marks that could materially affect your use of the Jazen Tea® Marks in this state.

We do not grant you any interest in the Jazen Tea® Marks other than a license to use the Jazen Tea® Marks subject to the conditions, and for the duration, that we specify in the JT Franchise Agreement and Co-Branding Addendum. The license that we grant to you to use the Jazen Tea® Marks does not convey title or ownership to goodwill in the Jazen Tea® Marks. You may not, at any time, contest or assist anyone to contest the validity of our rights in the Jazen Tea® Marks.

You must notify us immediately if you learn about (i) any improper use of the Jazen Tea® Marks, (ii) a third party's use of a mark or design which is confusingly similar to the Jazen Tea® Marks, or (iii) any challenge to your use of any of the Jazen Tea® Marks. We have the sole right to handle all intellectual property claims and will take the action that we believe is appropriate under the circumstances (including taking no action). We will control the prosecution, defense or settlement of any legal action. You must cooperate with us and assist us in defending our respective rights in the Jazen Tea® Marks against third party claims. You may not take any action in your own name. Unless we establish that a third party challenge is due to your misuse of the Jazen Tea® Marks, we will defend you in the matter and will indemnify you for any liability, costs, expenses, damages or losses that you may sustain as a result of any intellectual property claim, including costs to adopt new Jazen Tea® Marks. However, in no event will we indemnify you for any lost profits or for punitive damages that a third party recovers against you arising from an intellectual property claim.

You must modify or discontinue using any of the Jazen Tea® Marks and add new names, designs, logos or commercial symbols to the Jazen Tea® Marks as we instruct. We may impose changes whenever we believe the change is advisable and will benefit the Jazen Tea® System. We will not compensate you for any costs that you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions (including changing signs, marketing displays, branded product labels, logo merchandise and advertising), at your expense. If you conform to our directions in making the changes, your rights under the JT Franchise Agreement or Co-Branding Addendum will continue in full force and effect.

We forbid you to use the Jazen Tea® Marks in any electronic mail address or in any domain name. We will identify the addresses of all Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants on our website, [www.jazentea.com](http://www.jazentea.com). You may not maintain a World Wide Website or a presence or advertise on the Internet or on any other public computer network or any other kind of public modality using the Jazen Tea® Marks without our prior written consent, which we may withhold in our discretion.

You must comply with our social media policy that we explain in the Manual if you use the Jazen Tea® Marks in any social media channel.

#### **ITEM 14.**

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

There are no patents that are material to the franchise.

Although have not filed an application to copyright any of the written materials or designs that we share with you, including the Manual, our menu design or advertising material, we claim common law copyright in all of these materials and regard them as proprietary.

You may use the Manual only to operate and promote your Franchised Business during the term of the JT Franchise Agreement and only in the manner that we authorize. You may not duplicate, copy, disclose or disseminate the contents of the Manual without our prior consent. We may modify the Manual at any time. We will notify you of all changes in writing and you must promptly adopt the changes at your cost. You must return the Manual to us when the JT Franchise Agreement expires or terminates. You must keep the Manual (or, if we provide you with more than one copy, each copy of the Manual) confidential, updated and in a secure or locked receptacle when not in use. If there is a dispute over the current version of the Manual, the terms

of our master copy will control. If you lose any volume of the Manual, we may charge you a replacement fee.

We are not aware of any agreements or third party claims of infringing uses that might limit our, or your, use of the Manual. We are not aware of any current determinations of the Copyright Office or any court, or any pending interference, opposition or cancellation proceedings or material litigation involving any materials in which we claim a copyright or regard as proprietary or as our trade secret.

The JT Franchise Agreement and Co-Branding Addendum each broadly defines the scope of information that we regard as our confidential information. During the term of the JT Franchise Agreement and Co-Branding Addendum, we may share certain confidential information with you or you may learn confidential information about us, our Proprietary Products, the Jazen Tea® System or other franchisees or licensees that we regard as our confidential information. Whether we share confidential information with you or you discover confidential information independently, you may not divulge confidential information about the Jazen Tea® System or the results of your operations except to your employees and representatives who must know the information in order to carry on their employment duties or render professional advice to you. We may require those to whom you must disclose confidential information to sign our Confidentiality Agreement (**Exhibit J**), which gives us the right to seek equitable remedies, including restraining orders and injunctive relief, to prevent the unauthorized use of our confidential information.

If you develop any improvements to the Jazen Tea® System, you agree that the improvements will become our exclusive property. You agree that we may use and incorporate in the Jazen Tea® System any ideas or improvements that you originate without paying you any compensation.

While you must immediately inform us if you learn about any unauthorized use, or are the subject of a third party claim challenging your use, of the confidential information that we share with you during the term of the JT Franchise Agreement, we do not have to take any action to defend you in the matter or indemnify you from any claims.

You must, at your own expense, modify or discontinue the use of the specific confidential information that we identify if we modify or discontinue its use. You must not directly or indirectly contest our ownership of any information that we classify as our confidential information.

We make no express or implied warranty regarding our confidential information, including no warranty of exclusive ownership of confidential information or the validity of any copyright registration.

#### **ITEM 15.**

#### **OBLIGATION TO PARTICIPATE**

#### **IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

We do not require that you or your owners personally devote full time and attention to managing and supervising all administrative and operational activities of your Stand-Alone Jazen Tea® Shop or your Co-Branded Phở Hòa® Restaurant. If you or your owners choose not to assume these responsibilities, you must assign them to a member of your senior management who must successfully complete our Basic Training program (depending on whether you are a Stand-Alone or Co-Branding Franchisee), and who must be certified by ServSafe, a food safety training and certificate program administered by the National Restaurant Association Solutions.

You must keep us informed of the identity of your employees with management responsibility, both on an individual shop or restaurant level and on an organizational level. As the owner of the franchise, you remain responsible for compliance with the JT Franchise Agreement or Co-Branding Addendum, as applicable, even if you delegate day-to-day supervisory duties to a senior manager.

As the owner of the franchise, you will control the manner and means of operating your Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant and exercise complete control over and responsibility for your employees. You must prominently display appropriate notices in a format that we designate to inform the public that you independently own and operate your Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant under a license from us and are not our agent.

Each of your owners, employees and agents who has access to any information that we deem to be proprietary or confidential must, upon our request, enter into a written confidentiality agreement either with us or with you. We designate the form of contract, which we refer to as a Confidentiality, Non-Disclosure and Non-Competition Agreement. See **Exhibit J**. The agreement not only forbids disclosure of our confidential information, but it forbids your owners, employees and agents from owning an interest in, or providing services to, any business which derives more than 50% of its revenue from the manufacture, sale or distribution of Asian-style “boba” drinks at retail or wholesale. These restrictions apply both during the time that these individuals associate with you and for 2 years afterwards, and should be carefully reviewed by you with your owners and prospective employees and agents. The restrictions against participating in any business which derives more than 50% of its revenue from the manufacture, sale or distribution of Asian-style “bubble” drinks at retail or wholesale applies (i) anywhere in the world during the term of the JT Franchise Agreement or Co-Branding Addendum, and (ii) within a 10 mile radius from your former franchise location and from any other Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant for a period of 2 years after your JT Franchise Agreement or Co-Branding Addendum terminates or ends for any reason.

If you enter into the JT Franchise Agreement or Co-Branding Addendum as a corporation, limited liability company or other business entity, then each person who owns 10% or more of the equity or voting interests of the business entity must execute a Personal Guaranty (**Exhibit I**) agreeing to be jointly and individually liable for all of your obligations under the JT Franchise Agreement or Co-Branding Addendum, as applicable. This applies also to persons who acquire a 10% or greater interest after you sign the applicable contract. The same person or business entity that executes the Phở Hòa® Franchise Agreement as franchisee must enter into the Co-Branding Addendum.

You are an independent contractor and not our representative, partner or employee. You have no authority to make any contract, agreement, warranty or representation or to create any obligation binding on us.

If you are married, your spouse will be asked to execute a Spousal Consent (**Schedule E** to the JT Franchise Agreement and **Schedule A** to the Co-Branding Addendum) acknowledging that your obligations under the JT Franchise Agreement or Co-Branding Addendum, as applicable, are binding upon the marital community.

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

You must offer and sell only the goods and services that we designate are part of the Jazen Tea® System. We, alone, will determine the Jazen Tea® Menu Items that all Stand-Alone Jazen Tea® Shops and the Core Jazen Tea® Menu Items that all Co-Branded Phở Hòa® Restaurants must offer. You must offer all of the goods and services that we designate, and nothing else, except with our prior written approval. Co-Branding Franchisees must also offer all of the goods and services required by their Phở Hòa® Franchise Agreement.

At this time we do not authorize either catering or local delivery services. If we do introduce these services, we will publish rules setting forth our minimum requirements regarding food handling and storage, delivery vehicle, delivery or catering territory, delivery time, insurance, and similar matters.

We may use the Jazen Tea® Marketing Fund to advertise specific Core Jazen Tea® Menu Items at suggested resale prices. However, we do not restrict the prices at which you sell any goods or services. We may use the Jazen Tea® Marketing Fund to promote both Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants with respect to the sale of Core Jazen Tea® Menu Items.

Your operations must comply with all applicable laws. These include the laws that we describe in Item 1, and include laws pertaining to the sale of goods, food labeling, handling and storage, health and sanitation and the Americans with Disabilities Act. You must investigate what laws apply to your business and ensure that they are complied with.

You may sell only to retail customers. This policy prohibits you from selling prepared or bottled beverages, foods, or ingredients to other restaurants or retail businesses for resale to their own customers.

In the future, we may provide customers with the ability to purchase Proprietary Products from our website, [www.jazentea.com](http://www.jazentea.com), such as Jazen Tea® brand teas, or from an independent retail business or operating Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant. We may directly or indirectly sell Jazen Tea® brand goods and logo merchandise through other retail and wholesale channels of distribution, including by means of the Internet, mail order catalogues, direct mail advertising, and from supermarkets, restaurants and other businesses that do not do business under the Jazen Tea® Marks or Phở Hòa® Marks. There is no restriction on where we may engage in these activities. We forbid you to engage in these activities.

Except as we disclose in this Item 16 and in Item 12 (prohibiting wholesale sales, delivery and catering services), we do not impose any restrictions regarding the customers to whom you may sell authorized products and services.

We have the right to (i) add additional Proprietary Products to the list of items that you must offer for sale or use at your Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant; (ii) modify and discontinue the list of Proprietary Products that you must sell or use; and (iii) add, modify and discontinue Non-Proprietary Products. We communicate all changes by written bulletins or revisions to the Manual. No limits apply to our right to impose these modifications. You will be given a reasonable time period after notice from us in which to implement these changes and discontinue selling particular items which we delete from the approved list or buying from suppliers no longer on our approved list.



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

**THE FRANCHISE RELATIONSHIP**

This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.

| PROVISION                           | SECTION IN<br>JT FRANCHISE<br>AGREEMENT (JT)<br>CO-BRANDING<br>ADDENDUM (A) | SUMMARY  |
|-------------------------------------|---|--|
| a. Length of the franchise term     | JT: IV.A.<br>A: II.CC   | <p>Stand-Alone Jazen Tea® Shop - The initial term of the franchise begins when you sign the JT Franchise Agreement and expires at the end of 5 complete Operating Years measured from the Opening Date of your Stand-Alone Jazen Tea® Shop.</p> <p>Co-Branding Addendum - The initial term of the franchise begins when you sign the Co-Branding Addendum and expires at the end of 5 complete Operating Years measured from the Co-Branding Opening Date. However, as we explain in Item 5, as a condition of obtaining Co-Branding Franchise rights, the term of the Co-Branding Addendum and the term of the Phở Hòa® Franchise Agreement must expire at the same time. Depending on when you enter into the Co-Branding Addendum relative to when you enter into the Phở Hòa® Franchise Agreement, we may require you to extend the then-current term of your Phở Hòa® Franchise Agreement and pay us an extension fee so that its term expires at the same time as the Co-Branding Addendum. See <b>Exhibit P</b> and additional disclosures in Item 5.</p> |
| b. Renewal or extension of the term | JT: IV.B.<br>A: IV  | <p>Stand-Alone Jazen Tea® Shop - 2 consecutive renewal options each for a term of 5 years</p> <p>Co-Branding Addendum - 2 consecutive renewal options each for a term of 5 years. If you apply to purchase Co-Branding Franchise rights during the renewal term of your Phở Hòa® Franchise Agreement, then, in addition to extending the then-current term of your Phở Hòa® Franchise Agreement so that both the Co-Branding Addendum and the Phở Hòa® Franchise Agreement expire at the same time, we will offer you a second option to renew your Phở Hòa® Franchise Agreement so that you may continue to operate as a Co-Branded Phở Hòa® Restaurant if you exercise both the renewal option in the Co-Branding Addendum and the second (new) renewal option in the Phở Hòa® Franchise Agreement. For the second renewal option, you will pay us the same Renewal Fee that you paid to us in exercising the first renewal option. See Item 5.</p>  |

| PROVISION   | SECTION IN<br>JT FRANCHISE<br>AGREEMENT (JT)<br>CO-BRANDING<br>ADDENDUM (A) | SUMMARY  |
|---|---|--|
| c. Requirements for franchisee to renew or extend | JT: IV.B. - IV.E.<br>A: IV.B  | <p>Stand-Alone Jazen Tea® Shop - To exercise each option, you must be in good standing under the expiring JT Franchise Agreement, give timely notice of election to renew, adapt your Stand-Alone Jazen Tea® Shop to our then-current décor and design standards, satisfy our then-current training requirements, if any for renewing franchisees; sign a general release (<b>Exhibit H</b>), pay the renewal fee, and sign our then-current JT Franchise Agreement and the Renewal Amendment (<b>Exhibit O</b>).</p> <p>Co-Branding Addendum – To exercise each renewal option in the Co-Branding Addendum, you must be in good standing under the expiring Co-Branding Addendum; give timely notice of election to renew; adapt your Co-Branded Phở Hòa® Restaurant to our then-current décor and design standards for Co-Branded Phở Hòa® Restaurants; satisfy our then-current training requirements, if any for renewing franchisees; sign a general release (<b>Exhibit H</b>); pay the renewal fee; sign our then-current Co-Branding Addendum and the Renewal Amendment (<b>Exhibit O</b>); and complete all renewal conditions in the Phở Hòa® Franchise Agreement.</p> <p>In each case, the then-current franchise agreement that you must sign in order to exercise a renewal option may have materially different terms and conditions than the expiring Franchise Agreement including different or higher fees.</p> |
| d. Termination by franchisee                      | JT: XVII.A.1. A:<br>A: XVI, XVII  | <p>Stand-Alone Jazen Tea® Shop - You may terminate the JT Franchise Agreement if we materially breach the JT Franchise Agreement and fail to cure or begin to cure the breach within 30 days after we receive your written notice. You may terminate the JT Franchise Agreement before presenting us with a site approval proposal. See Item 5.</p> <p>Co-Branding Addendum - You may terminate the Co-Branding Addendum if we materially breach the Co-Branding Addendum or Phở Hòa® Franchise Agreement and fail to cure or begin to cure the breach within 30 days after we receive your written notice. You may terminate the Co-Branding Addendum or Phở Hòa® Franchise Agreement before presenting us with a site approval proposal. See Item 5.</p>   |
| e. Termination by franchisor without cause        | Not applicable.   | Not applicable.  |
| f. Termination by franchisor with cause           | JT: XVII.B., XVII.C.<br>A: XVI, XVII  | <p>Stand-Alone Jazen Tea® Shop - We may only terminate the JT Franchise Agreement for good cause, e.g., your material default.</p> <p>Co-Branding Addendum - We may only terminate the Co-Branding Addendum for good cause, e.g., your material default under the Co-Branding Addendum or the Phở Hòa® Franchise Agreement.</p>  |

| PROVISION                                   | SECTION IN<br>JT FRANCHISE<br>AGREEMENT (JT)<br>CO-BRANDING<br>ADDENDUM (A) | SUMMARY   |
|---|---|---|
| g. "Cause" defined-<br>curable defaults     | JT: XVII.B., XVII.C.<br>A: XVI  | <p>Stand-Alone Jazen Tea® Shop - You have 10 days after notice of default in which to cure a breach that is based on your failure to pay fees or submit reports to us. You have 10 days after notice of default in which to cure a breach that is based on any violation of federal, state or local law. Otherwise, you have 30 days after notice of default in which to cure for any other breach that is not included in the list of non-curable defaults.</p> <p>Co-Branding Addendum – The same notice and cure rights applicable to Stand-Alone Jazen Tea® Shop Franchisees apply to Co-Branding Franchisees.</p>  |
| h. "Cause" defined-non-<br>curable defaults | JT: XVII.B.<br>A: XVI   | <p>Stand-Alone Jazen Tea® Shop - The JT Franchise Agreement identifies non-curable defaults. They include: your breach of the lease and loss of the right to occupy the franchise location for cause; a material misrepresentation or omission in your application for the franchise; conviction or plea of no contest to a crime or offense that adversely affects you or your Stand-Alone Jazen Tea® Shop's reputation; misuse of the Manual, the Jazen Tea® Marks or any other confidential information or trade secrets; sale of unauthorized goods or services; receipt of 3 or more notices of default within any 24-month period; the unauthorized closure of your Stand-Alone Jazen Tea® Shop or failure to actively operate your Stand-Alone Jazen Tea® Shop for any length of time causing us to assume you have abandoned it; unauthorized assignment or attempt to assign the franchise; false reporting; your bankruptcy or insolvency; your dissolution (if you are a business entity); failure to comply with laws within 10 days after being notified of non-compliance; or your acts or inactions resulting in an imminent danger to public health or safety at your Stand-Alone Jazen Tea® Shop; or intentionally underreporting Gross Sales under the criteria that we identify in the JT Franchise Agreement. See Section XVII.D.2 regarding cross-defaults.</p> <p>Co-Branding Addendum – The same grounds for terminating the Co-Branding Addendum that apply to Stand-Alone Jazen Tea® Shop Franchisees apply to Co-Branding Franchisees.</p> <p>Additionally, the termination of the Phở Hòa® Franchise Agreement is grounds for immediate termination of the Co-Branding Addendum. If the reason for termination of the Co-Branding Addendum is also grounds for termination of the Phở Hòa® Franchise Agreement, we may terminate both contracts at the same time. However, depending on the particular breach, at our discretion, we may terminate the Co-Branding Addendum without concurrently terminating the Phở Hòa® Franchise Agreement.</p> |

| PROVISION  | SECTION IN<br>JT FRANCHISE<br>AGREEMENT (JT)<br>CO-BRANDING<br>ADDENDUM (A) | SUMMARY   |
|--|---|---|
| i. Franchisee's obligations on termination/non-renewal | JT: XVIII.A.<br>A: XVII   | <p>Stand-Alone Jazen Tea® Shop - Your obligations include: complete de-identification of your Stand-Alone Jazen Tea® Shop; upon request, assign the restaurant lease to us; cease using the Jazen Tea® Marks; stop selling Proprietary Products and sell any inventory that you have of Proprietary Products to us at your cost; sign our form of general release (<b>Exhibit H</b>); upon request, assign your telephone numbers and business listings to us (see <b>Schedule F</b> to Franchise Agreement); pay all sums that you owe to us through the effective date of termination; and return the Manual and any other confidential or proprietary information to us. In addition to all other remedies, we may debit the Security Deposit. The Franchise Agreement provides for liquidated damages when termination is based on your default.</p> <p>The JT Franchise Agreement gives us a right of first refusal to purchase the assets of your Stand-Alone Jazen Tea® Shop. If we exercise our option, we may offset any other fees or sums that you owe to us from the purchase price. You and all Covered Persons (a term that we define in the JT Franchise Agreement) must comply with the covenants not to compete (see subparagraphs Q and R below). If you own more than one franchise, the termination of one JT Franchise Agreement will not automatically terminate any other JT Franchise Agreements unless the grounds upon which we rely to terminate the first JT Franchise Agreement also support termination of the other JT Franchise Agreements.</p> <p>Co-Branding Addendum – The same duties following termination or non-renewal that apply to Stand-Alone Jazen Tea® Shop Franchisees apply to Co-Branding Franchisees. If both the Co-Branding Addendum and Phở Hòa® Franchise Agreement terminate at the same time, the de-identification duties in each agreement are the same.</p> |
| j. Assignment of contract by franchisor                | JT: XIX.A.<br>A: XVIII  | <p>Stand-Alone Jazen Tea® Shop - No restriction on our right to assign as long as the buyer agrees in writing to assume our obligations under the JT Franchise Agreement with you.</p> <p>Co-Branding Addendum - No restriction on our right to assign as long as the buyer agrees in writing to assume our obligations under the Co-Branding Addendum and Phở Hòa® Franchise Agreement with you.</p>   |
| k. "Transfer" by franchisee – defined                  | JT: XIX.C.<br>A: XVIII  | <p>Stand-Alone Jazen Tea® Shop - Includes a transfer of the JT Franchise Agreement, transfer of substantially all of your assets, or a change of ownership, which we regard as a change in the person or entity owning a controlling interest of a corporation, limited liability company, partnership or business entity franchisee.</p> <p>Co-Branding Addendum - Includes a transfer of the Co-Branding Addendum or Phở Hòa® Franchise Agreement, transfer of substantially all of your assets, or a change of ownership, which we regard as a change in the person or entity owning a controlling interest of a corporation, limited liability company, partnership or business entity franchisee.</p>  |

| PROVISION   | SECTION IN<br>JT FRANCHISE<br>AGREEMENT (JT)<br>CO-BRANDING<br>ADDENDUM (A) | SUMMARY  |
|---|---|--|
| l. Franchisor approval of transfer by franchisee                        | JT: XIX.F.<br>A: XVIII  | <p>Stand-Alone Jazen Tea® Shop - If you want to transfer the JT Franchise Agreement, you must obtain our prior written consent, which we agree not to unreasonably withhold. To obtain our consent, you must fulfill certain conditions that we state in the JT Franchise Agreement. Your buyer must agree in writing to assume your JT Franchise Agreement for the remaining unexpired term (and any unexercised renewal options).</p> <p>Co-Branding Addendum – You may not transfer the Co-Branding Addendum without completing a transfer of the Phở Hòa® Franchise Agreement. You must comply with the transfer conditions in the Phở Hòa® Franchise Agreement. The same transferee must acquire your rights under the Co-Branding Addendum and Phở Hòa® Franchise Agreement.</p>   |
| m. Conditions for franchisor approval of transfer                       | JT: XIX.F.3.<br>A: XVIII  | <p>Stand-Alone Jazen Tea® Shop - Your buyer must submit a new franchisee application and qualify as a franchisee under our then-current standards for new franchisees; you must pay us a transfer fee; if we approve your buyer, the buyer must agree in writing to assume your JT Franchise Agreement for the unexpired term of your franchise; you must sign a general release (<b>Exhibit H</b>); you must cure any outstanding defaults; your buyer must successfully complete our then-current initial training program before your buyer may assume operations, which may require you to continue to supervise activities in your Stand-Alone Jazen Tea® Shop for some time after the sale closes while your buyer completes training; covenants against competition (see R. below) will apply. If the transfer is to another existing franchisee, the transfer fee is 15% of our then-current Initial Franchise Fee and we do not have to provide the buyer with initial training.</p> <p>Co-Branding Addendum – Because you may not transfer the Co-Branding Addendum without completing a transfer of the Phở Hòa® Franchise Agreement, you must comply with the transfer conditions in the Phở Hòa® Franchise Agreement.</p> |
| n. Franchisor's right of first refusal to acquire franchisee's business | JT: XIX.D.<br>A: XVII   | <p>Stand-Alone Jazen Tea® Shop - We may match any third party offer to buy the franchise, assets or controlling interest which is the subject of a proposed transfer. We have 30 days in which to exercise our right of first refusal.</p> <p>Co-Branding Addendum – Our right of first refusal in the Phở Hòa® Franchise Agreement exercisable in the event of a transfer applies to your entire business including the Co-Branding operations.</p>   |
| o. Franchisor's option to purchase franchisee's business                | JT: XVII.B.<br>A: XVII  | <p>Stand-Alone Jazen Tea® Shop - The JT Franchise Agreement gives us an option to purchase your tangible assets upon termination or expiration of the JT Franchise Agreement.</p> <p>Co-Branding Addendum - The Co-Branding Addendum gives us an option to purchase your tangible assets upon termination or expiration of the Co-Branding Addendum whether or not we concurrently terminate the Phở Hòa® Franchise Agreement at the same time.</p>  |

| PROVISION   | SECTION IN<br>JT FRANCHISE<br>AGREEMENT (JT)<br>CO-BRANDING<br>ADDENDUM (A) | SUMMARY  |
|---|---|--|
| p. Death or disability of franchisee                          | JT: XIX.C.3.c., XIX.I.<br>A: XVIII  | <p>Stand-Alone Jazen Tea® Shop - We treat your death or “Incapacity” (a term that we define in the JT Franchise Agreement) as an event of transfer subject to all transfer conditions. Your heirs may qualify as the buyer of your franchise rights, or they or your legal representative must assign the franchise to an approved buyer within 180 days; otherwise, we may terminate the JT Franchise Agreement.</p> <p>The JT Franchise Agreement gives us the option to manage the Franchised Business for up to 90 days immediately following death or a permanent incapacity if we believe the remaining members of your management team lack the financial ability or business skills to operate the Stand-Alone Jazen Tea® Shop in accordance with the JT Franchise Agreement. We retain the right to manage the Franchised Business in order to facilitate an orderly transition of ownership with minimal disruption to the Franchised Business’s continuous operation or damage to the brand reputation. If we assume management responsibility, you must pay us a Management Fee in addition to Royalty Fees and Marketing Fees. We may extend this management period for up to a year by mutual agreement.</p> <p>Co-Branding Addendum - We treat your death or Incapacity as an event of transfer subject to all transfer conditions. Your heirs may qualify as the buyer of your franchise rights, or they or your legal representative must assign the franchise to an approved buyer within 180 days; otherwise, we may terminate the Co-Branding Addendum and Phở Hòa® Franchise Agreement.</p> |
| q. Non-competition covenants during the term of the franchise | JT: XVI.A.1.<br>A: XV   | <p>Stand-Alone Jazen Tea® Shop - Extends to each “Covered Person” (a term that we define in the JT Franchise Agreement); prohibits direct or indirect involvement with any competitive business; applies worldwide. By “competitive business,” we mean any business which derives more than 50% of its revenue from the manufacture, sale or distribution of Asian-style “bubble” drinks at retail or wholesale regardless of whether the competitive business only sells one type of beverage sold at Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants (e.g., fruit smoothies) and does not sell the entire Jazen Tea® Menu Items. A competitive business also includes a business that, in its entirety, so resembles the trade dress, service style and menu items that comprise the distinguishing features of the Jazen Tea® System as to create a likelihood of consumer confusion or dilution of the Jazen Tea® Marks.</p> <p>Co-Branding Addendum – The same restrictions against competition applicable during the term of the JT Franchise Agreement apply to Co-Branding Franchisees during the term of the Co-Branding Addendum and Phở Hòa® Franchise Agreement. These covenants will continue to apply while the Phở Hòa® Franchise Agreement is in effect even after the Co-Branding Addendum ends for any reason.</p>  |

| PROVISION   | SECTION IN<br>JT FRANCHISE<br>AGREEMENT (JT)<br>CO-BRANDING<br>ADDENDUM (A) | SUMMARY  |
|---|---|--|
| r. Non-competition covenants after the franchise is terminated or expires | JT: XVI.2.<br>A: XV   | <p>Stand-Alone Jazen Tea® Shop - Extends to each "Covered Person;" (see Q. above); same activities prohibited as Q. above; applies anywhere within (i) 10 miles from your Jazen Tea® Shops, (ii) 10 miles from every other Stand-Alone Jazen Tea® Shop, Co-Branded Phở Hòa® Restaurant, or Stand-Alone Phở Hòa® Restaurant world-wide, regardless of whether it opens before or after you sign the JT Franchise Agreement. Restriction extends for 2 years after the JT Franchise Agreement expires or terminates.</p> <p>Co-Branding Addendum - The same restrictions against competition applicable after the term of the JT Franchise Agreement apply to Co-Branding Franchisees after the term of the Co-Branding Addendum and Phở Hòa® Franchise Agreement.</p> |
| s. Modification of the agreement  | JT: XXIV.H.<br>A: XXIII   | <p>Stand-Alone Jazen Tea® Shop - The JT Franchise Agreement may not be modified except by a written agreement that you and we both sign.</p> <p>Co-Branding Addendum - The Co-Branding Addendum may not be modified except by a written agreement that you and we both sign.</p> <p>Manual: We may modify or change the Jazen Tea® System through changes in the Manual in our discretion. These changes will not alter your fundamental rights under the JT Franchise Agreement or Co-Branding Addendum.</p>  |
| t. Integration/merger clause  | JT: XXIV.I.<br>A: XXIII   | <p>Stand-Alone Jazen Tea® Shop - Only the terms of the JT Franchise Agreement are binding (subject to state law). Any other promises, oral or written, that you claim we made to you cannot be enforced against us.</p> <p>Co-Branding Addendum - Only the terms of the Co-Branding Addendum and the Phở Hòa® Franchise Agreement are binding (subject to state law). Any other promises, oral or written, that you claim we made to you cannot be enforced against us.</p> <p>No provision in any franchise agreement that you enter into with us is intended to disclaim the express representations that we make in this Disclosure Document.</p>   |
| u. Dispute resolution by arbitration or mediation                         | JT: XXII.<br>A: XXI   | <p>Stand-Alone Jazen Tea® Shop - All disputes must be submitted to a mediation hearing conducted according to the procedure stated in the JT Franchise Agreement, except for specific disputes where we may proceed directly to court and apply for interim (e.g., injunctive) relief. Mediation will be held at our offices. Disputes that cannot be resolved through mediation or negotiation are resolved through litigation.</p> <p>Co-Branding Addendum – The dispute resolution process in your Phở Hòa® Franchise Agreement will apply to disputes arising under the Co-Branding Addendum.</p> <p>This provision is subject to state law. See State Addendum (Exhibit K).</p>   |



| PROVISION          | SECTION IN<br>JT FRANCHISE<br>AGREEMENT (JT)<br>CO-BRANDING<br>ADDENDUM (A) | SUMMARY  |
|--------------------|---|--|
| v. Choice of forum | JT: XXII.C.<br>A: XXI   | Stand-Alone Jazen Tea® Shop - State or federal courts with jurisdiction in the county where we are headquartered, which currently is in Sacramento, California. This provision is subject to state law. See State Addendum ( <b>Exhibit K</b> ).<br><br>Co-Branding Addendum - The dispute resolution process in your Phở Hòa® Franchise Agreement will apply to disputes arising under the Co-Branding Addendum. The Phở Hòa® Franchise Agreement requires venue in the county where we are headquartered, which currently is in Sacramento, California. This provision is subject to state law. This provision is subject to state law. See State Addendum ( <b>Exhibit K</b> ).   |
| w. Choice of law   | JT: XXII.E.<br>A: XXI   | Stand-Alone Jazen Tea® Shop - California law applies, unless the provision is not enforceable under California law, but is enforceable under the laws of the state where you locate your Stand-Alone Jazen Tea® Shop, in which case your home state's law will govern that particular provision. This provision is subject to state law. See State Addendum ( <b>Exhibit K</b> ).<br><br>Co-Branding Addendum - California law applies, unless the provision is not enforceable under California law, but is enforceable under the laws of the state where you locate your Co-Branded Phở Hòa® Restaurant, in which case your home state's law will govern that particular provision. This provision is subject to state law. See State Addendum ( <b>Exhibit K</b> ). |

## ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote our franchises, nor is there any public figure who is involved in any respect with the actual management or control of our company.

## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of Company-owned or franchised shops or restaurants. 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 shop or restaurant from us or an affiliate of ours, however, we may provide you with the actual records of that shop or restaurant. If you receive any other financial performance information or projections of your future income, you should



report it to our management by contacting Quoc Phan, President, Chief Executive Officer, Chief Financial Officer and Director, South Bay Soup Corporation, Attention: JAZEN TEA®, 1420 Fulton Avenue, Building B, Sacramento, CA 95825 Telephone: (916) 779-8800; www.jazentea.com; the Federal Trade Commission and any appropriate state regulatory agencies.

**ITEM 20.**  
**OUTLETS AND FRANCHISEE INFORMATION**  
**STAND-ALONE JAZEN TEA® SHOPS**

| TABLE No. 1A - Stand-Alone Jazen Tea® Shops  |      |                                  |                                |            |
|--|------|----------------------------------|--------------------------------|------------|
| System-wide Outlet Summary For Stand-Alone Jazen Tea® Shops in U.S. For Years 2020 to 2022 |      |                                  |                                |            |
| Outlet Type  | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
| Franchised   | 2020 | 1                                | 0                              | -1         |
|  | 2021 | 0                                | 0                              | 0          |
|  | 2022 | 0                                | 0                              | 0          |
| Company-Owned  | 2020 | 0                                | 0                              | 0          |
|  | 2021 | 0                                | 0                              | 0          |
|  | 2022 | 0                                | 0                              | 0          |
| Total Outlets  | 2020 | 1                                | 0                              | -1         |
|  | 2021 | 0                                | 0                              | 0          |
|  | 2022 | 0                                | 0                              | 0          |

| TABLE No. 1B – Co-Branded Phở Hòa® Restaurants  |      |                                  |                                |            |
|---|------|----------------------------------|--------------------------------|------------|
| System-wide Outlet Summary For Co-Branded Phở Hòa® Restaurants in U.S. For Years 2020 to 2022 |      |                                  |                                |            |
| Outlet Type   | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
| Franchised  | 2020 | 10                               | 11                             | +1         |
|   | 2021 | 11                               | 12                             | +1         |
|   | 2022 | 12                               | 11                             | -1         |
| Company-Owned   | 2020 | 5                                | 4                              | -1         |
|   | 2021 | 4                                | 3                              | -1         |
|   | 2022 | 3                                | 3                              | 0          |
| Total Outlets   | 2020 | 15                               | 15                             | 0          |
|   | 2021 | 15                               | 15                             | 0          |
|   | 2022 | 15                               | 14                             | -1         |

| TABLE No. 2A - Stand-Alone Jazen Tea® Shops  |      |                     |
|--|------|---------------------|
| Transfers of Stand-Alone Jazen Tea® Shops from Franchisees to New Owners<br>(other than the Franchisor or Affiliates) For Years 2020 to 2022 |      |                     |
| STATE  | YEAR | NUMBER OF TRANSFERS |
| All States   | 2020 | 0                   |
|  | 2021 | 0                   |
|  | 2022 | 0                   |

| TABLE No. 2B - Co-Branded Phở Hòa® Restaurants  |      |                     |
|---|------|---------------------|
| Transfers of Co-Branded Phở Hòa® Restaurants from Franchisees to New Owners<br>(other than the Franchisor or Affiliates) For Years 2020 to 2022 |      |                     |
| STATE   | YEAR | NUMBER OF TRANSFERS |
| All States  | 2020 | 0                   |
|   | 2021 | 0                   |
|   | 2022 | 0                   |

| TABLE No. 3A - Stand-Alone Jazen Tea® Shops                                    |      |                          |                              |              |              |                          |                                 |                            |
|--|------|--------------------------|------------------------------|--------------|--------------|--------------------------|---------------------------------|----------------------------|
| Status of Franchisee-Owned Stand-Alone Jazen Tea® Shops for Years 2020 to 2022 |      |                          |                              |              |              |                          |                                 |                            |
| State  | Year | Outlets at Start of Year | Outlets Opened (Conversions) | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
| Georgia  | 2020 | 1                        | 0                            | 0            | 1            | 0                        | 0                               | 0                          |
|  | 2021 | 0                        | 0                            | 0            | 0            | 0                        | 0                               | 0                          |
|  | 2022 | 0                        | 0                            | 0            | 0            | 0                        | 0                               | 0                          |
| Texas  | 2020 | 0                        | 0                            | 0            | 0            | 0                        | 0                               | 0                          |
|  | 2021 | 0                        | 0                            | 0            | 0            | 0                        | 0                               | 0                          |
|  | 2022 | 0                        | 0                            | 0            | 0            | 0                        | 0                               | 0                          |
| TOTALS   | 2020 | 1                        | 1                            | 0            | 0            | 0                        | 0                               | 0                          |
|  | 2021 | 0                        | 0                            | 0            | 0            | 0                        | 0                               | 0                          |
|  | 2022 | 0                        | 0                            | 0            | 0            | 0                        | 0                               | 0                          |

| TABLE No. 3B - Co-Branded Phở Hòa® Restaurants                                    |      |                          |                              |              |              |                          |                                  |                            |
|---|------|--------------------------|------------------------------|--------------|--------------|--------------------------|----------------------------------|----------------------------|
| Status of Franchisee-Owned Co-Branded Phở Hòa® Restaurants for Years 2020 to 2022 |      |                          |                              |              |              |                          |                                  |                            |
| State   | Year | Outlets at Start of Year | Outlets Opened (Conversions) | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations- Other Reasons | Outlets at End of the Year |
| California  | 2020 | 3                        | 0                            | -1           | 0            | 0                        | 0                                | 2                          |
|   | 2021 | 2                        | 1                            | 0            | 0            | 0                        | 0                                | 3                          |
|   | 2022 | 3                        | 0                            | 0            | 0            | 0                        | 0                                | 3                          |
| Indiana   | 2020 | 2                        | 0                            | 0            | 0            | 0                        | 0                                | 2                          |
|   | 2021 | 2                        | 0                            | 0            | 0            | 0                        | 0                                | 2                          |
|   | 2022 | 2                        | 0                            | -1           | 0            | 0                        | 0                                | 1                          |
| Louisiana   | 2020 | 1                        | 0                            | 0            | 0            | 0                        | 0                                | 1                          |
|   | 2021 | 1                        | 0                            | 0            | 0            | 0                        | 0                                | 1                          |
|   | 2022 | 1                        | 0                            | 0            | 0            | 0                        | 0                                | 1                          |
| Nevada  | 2020 | 0                        | 1                            | 0            | 0            | 0                        | 0                                | 1                          |
|   | 2021 | 1                        | 0                            | 0            | 0            | 0                        | 0                                | 1                          |
|   | 2022 | 1                        | 0                            | 0            | 0            | 0                        | -1                               | 0                          |
| Texas   | 2020 | 1                        | 1                            | 0            | 0            | 0                        | 0                                | 2                          |
|   | 2021 | 2                        | 0                            | 0            | 0            | 0                        | 0                                | 2                          |
|   | 2022 | 2                        | 0                            | 0            | 0            | 0                        | -1                               | 1                          |
| Washington  | 2020 | 3                        | 0                            | 0            | 0            | 0                        | 0                                | 3                          |
|   | 2021 | 3                        | 0                            | 0            | 0            | 0                        | 0                                | 3                          |
|   | 2022 | 3                        | 2                            | 0            | 0            | 0                        | 0                                | 5                          |
| TOTALS  | 2020 | 10                       | 2                            | -1           | 0            | 0                        | 0                                | 11                         |
|   | 2021 | 11                       | 1                            | 0            | 0            | 0                        | 0                                | 12                         |
|   | 2022 | 12                       | 2                            | -1           | 0            | 0                        | -2                               | 11                         |

| TABLE No. 4A  |      |                          |                |                                    |                |                            |                            |
|---|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| Statistics for Stand-Alone Jazen Tea® Shops owned by Us or our Affiliates   |      |                          |                |                                    |                |                            |                            |
| Status of Company-Owned Stand-Alone Jazen Tea® Shops for Years 2020 to 2022 |      |                          |                |                                    |                |                            |                            |
| State   | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
| All States  | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
|   | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
|   | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |

| <b>TABLE No. 4B</b><br><b>Statistics for Co-Branded Phở Hòa® Restaurants owned by Us or our Affiliates</b> |      |                          |                |                                    |                |                            |                            |
|--|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| <b>Status of Company-Owned Co-Branded Phở Hòa® Restaurants for Years 2020 to 2022</b>                      |      |                          |                |                                    |                |                            |                            |
| State  | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
| CALIFORNIA   | 2020 | 5                        | 0              | 0                                  | -1             | 0                          | 4                          |
|  | 2021 | 4                        | 0              | 0                                  | -1             | 0                          | 3                          |
|  | 2022 | 3                        | 0              | 0                                  | 0              | 0                          | 3                          |
| TOTALS   | 2020 | 5                        | 0              | 0                                  | -1             | 0                          | 4                          |
|  | 2021 | 4                        | 0              | 0                                  | -1             | 0                          | 3                          |
|  | 2022 | 3                        | 0              | 0                                  | 0              | 0                          | 3                          |

| <b>TABLE No. 5A - Stand-Alone Jazen Tea® Shops</b><br><b>Projected New Stand-Alone Jazen Tea® Shops</b><br><b>During the 12-Month period from January 1, 2023 to December 31, 2023</b> |   |  |  |
|--|---|--|--|
| State  | JT Franchise Agreements Signed But New Franchisee-owned Stand-Alone Jazen Tea® Shop Not Opened as of 12/31/2022 | Projected New Franchisee-Owned Stand-Alone Jazen Tea® Shops Opened in the Next Fiscal Year | Projected New Company – Owned Stand-Alone Jazen Tea® Shops In the Next Fiscal Year |
| California   | 0   | 0  | 0  |
| Georgia  | 0   | 0  | 0  |
| Minnesota  | 0   | 0  | 0  |
| Texas  | 0   | 0  | 0  |
| Virginia   | 0   | 0  | 0  |
| Washington   | 0   | 0  | 0  |
| Total  | 0   | 0  | 0  |

| <b>TABLE No. 5B - Co-Branded Phở Hòa® Restaurants</b><br><b>Projected New Co-Branded Phở Hòa® Restaurants</b><br><b>During the 12-Month period from January 1, 2023 to December 31, 2023</b> |  |  |  |
|--|--|--|--|
| <b>State</b>   | <b>Co-Branding Addendum Signed But New Franchisee-Owned Co-Branded Phở Hòa® Restaurant Not Opened as of 12/31/2022</b> | <b>Projected New Franchisee-Owned Co-Branded Phở Hòa® Restaurants Opened in the Next Fiscal Year</b> | <b>Projected New Company – Owned Co-Branded Phở Hòa® Restaurants In the Next Fiscal Year</b> |
| California   | 1  | 5  | 1  |
| Washington   | 1  | 5  | 1  |
| Total  | 2  | 10   | 2  |

Attached as **Exhibit M-1** is (1) a list of the names, addresses and telephone numbers of all franchisees who own Stand-Alone Jazen Tea® Restaurants and Co-Branded Phở Hòa® Restaurants as of December 31, 2022; (2) a list of the names, addresses and telephone numbers of all Stand-Alone Jazen Tea® Restaurant and Co-Branded Phở Hòa® Restaurant franchisees who left the system in the fiscal year ended December 31, 2022 or have not communicated with us in the 10 weeks before the issuance date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Attached as **Exhibit M-2** is a list of the names, addresses and telephone numbers of all Stand-Alone Jazen Tea® Shops owned by our affiliates as of December 31, 2022.

During the last three fiscal years, current or former franchisees under our Stand-Alone or Co-Branding programs have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Jazen Tea® or Phở Hòa®. You may wish to speak with current or former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the Jazen Tea® franchise program which we have created, sponsored or endorsed as of our most recently completed fiscal year ending December 31, 2022.

## ITEM 21. FINANCIAL STATEMENTS

Attached as **Exhibit L** are our audited financial statements for the fiscal years ending December 31, 2020; December 31, 2021; and December 31, 2022.

We also include unaudited financial statements for the period from January 1, 2023, through March 31, 2023.

## **ITEM 22. CONTRACTS**

The contracts we use in this state are exhibits to this Disclosure Document as follows:

|           |   |   |
|-----------|---|---|
| EXHIBIT C | – | JT Franchise Agreement  |
| EXHIBIT D | – | Co-Branding Addendum  |
| EXHIBIT E | – | Franchise Application   |
| EXHIBIT G | – | Addendum to Lease   |
| EXHIBIT H | – | General Release   |
| EXHIBIT I | – | Personal Guaranty   |
| EXHIBIT J | – | Confidentiality, Non-Disclosure and Non-Competition Agreement |
| EXHIBIT K | – | State-Required Addenda  |
| EXHIBIT O | – | Renewal Amendment   |

## **ITEM 23. RECEIPTS**

The last four pages of this Disclosure Document are detachable documents (**Exhibit P**) acknowledging your receipt of the Disclosure Document. You must sign one copy and give it to us. The other copy is for your records. If these pages or any other pages or exhibits are missing from your copy, please contact us at this address or phone number:

SOUTH BAY SOUP CORPORATION  
Attention: JAZEN TEA®  
1420 Fulton Avenue, Building B  
Sacramento, CA 95825  
Telephone: (916) 779-8800  
[www.jazentea.com](http://www.jazentea.com)  
[franchising@jazentea.com](mailto:franchising@jazentea.com)

## EXHIBIT A

### LIST OF FEDERAL AND STATE FRANCHISE ADMINISTRATORS

#### FEDERAL

Federal Trade Commission  
6th and Pennsylvania Avenue, N.W.  
Washington, D.C. 20580  
(202) 523-1753

#### STATE AGENCIES

Listed below are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws:

|   |   |
|---|---|
| <b>California</b><br>State of California<br>Department of Financial Protection and Innovation<br>320 W. 4th Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500<br>1 (866) 275-2677<br><a href="mailto:ask.dfpi@dfpi.ca.gov">ask.dfpi@dfpi.ca.gov</a> | <b>Hawaii</b><br>Hawaii Commissioner of Securities<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>State of Hawaii<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2744             |
| <b>Illinois</b><br>Franchise Bureau<br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465  | <b>Indiana</b><br>Franchise Section<br>Indiana Securities Division<br>Room E-111<br>302 West Washington Street<br>Indianapolis, Indiana 46204<br>(317) 232-6681   |
| <b>Maryland</b><br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202<br>(410) 576-6360   | <b>Michigan</b><br>Michigan Department of Commerce<br>Corporation & Securities Bureau<br>Attn: Franchise Section<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>525 West Ottawa Street<br>Lansing, Michigan 48933<br>(517) 373-7117 |
| <b>Minnesota</b><br>Minnesota Department of Commerce<br>Franchise Section<br>85 7th Place East, Suite 280<br>St. Paul, Minnesota 55101-2198<br>(651) 296-6328   | <b>New York</b><br>Investor Protection Bureau<br>NYS Department of Law<br>28 Liberty Street, 21 <sup>st</sup> Floor<br>New York, New York 10005<br>(212) 416-8222   |

|   |  |
|---|--|
| <b>North Dakota</b><br>North Dakota Securities Department<br>State of North Dakota<br>600 East Boulevard Avenue, Fifth Floor<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712                             | <b>Oregon</b><br>Department of Consumer & Business Services<br>Division of Finance & Corporate Securities<br>State of Oregon<br>Labor and Industries Building<br>Salem, Oregon 97310<br>(503) 378-4140 |
| <b>Rhode Island</b><br>Division of Securities<br>John O. Pastore Complex Bldg. 69-1<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 222-3048  | <b>South Dakota</b><br>Division of Insurance<br>Securities Regulation<br>State of South Dakota<br>124 S. Euclid, Suite 104<br>Pierre, South Dakota 57501<br>(605) 773-3563                             |
| <b>Virginia</b><br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th floor<br>Richmond, Virginia 23219<br>(804) 371-9051                              | <b>Washington</b><br>Department of Financial Institutions<br>Securities Division<br>State of Washington<br>150 Israel Rd. SW<br>Tumwater, Washington 98501<br>(360) 902-8738                           |
| <b>Wisconsin</b><br>Division of Securities<br>Department of Financial Institutions<br>Wisconsin Commissioner of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-8559 |  |



## EXHIBIT B

### AGENTS FOR SERVICE OF PROCESS

|  |   |
|--|---|
| <b>California</b><br>Commissioner of the Department of<br>Financial Protection and Innovation<br>State of California<br>Department of Financial Protection and<br>Innovation<br>320 W. 4th Street, Suite 750<br>Los Angeles, California 90013-2344 | <b>Hawaii</b><br>Hawaii Commissioner of Securities<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>State of Hawaii<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813 |
| <b>Illinois</b><br>Office of Attorney General<br>State of Illinois<br>500 South Second Street<br>Springfield, Illinois 62706   | <b>Indiana</b><br>Secretary of State<br>State of Indiana<br>201 State House<br>200 West Washington Street<br>Indianapolis, Indiana 46204  |
| <b>Maryland</b><br>Maryland Securities Commissioner<br>200 Saint Paul Place<br>Baltimore, Maryland 21202-2020  | <b>Michigan</b><br>Michigan Department of Commerce<br>Corporation & Securities Bureau<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>525 West Ottawa Street<br>Lansing, Michigan 48933                |
| <b>Minnesota</b><br>Commissioner of Securities<br>Minnesota Department of Commerce<br>Franchise Section<br>85 7th Place East, Suite 280<br>St. Paul, Minnesota 55101-2198  | <b>New York</b><br>Secretary of State<br>99 Washington Avenue<br>Albany, New York 12231   |
| <b>North Dakota</b><br>Securities Commissioner<br>North Dakota Securities Department<br>State of North Dakota<br>600 East Boulevard Avenue, Fifth Floor<br>Bismarck, North Dakota 58505-0510   | <b>Oregon</b><br>Department of Consumer & Business Services<br>Division of Finance & Corporate Securities<br>State of Oregon<br>350 Winter Street, N.E., Room 21<br>Salem, Oregon 97310                         |
| <b>Rhode Island</b><br>Director of Business Regulation<br>Department of Business Regulation<br>State of Rhode Island<br>1511 Pontiac Avenue<br>John O. Pastore Complex – Building 69-1<br>Cranston, Rhode Island 02920                             | <b>South Dakota</b><br>Division of Insurance<br>Securities Regulation<br>State of South Dakota<br>124 S. Euclid, Suite 104<br>Pierre, South Dakota 57501  |

|  |  |
|--|--|
| <b>Virginia</b><br>Clerk of the State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, Virginia 23219                         | <b>Washington</b><br>Director of Financial Institutions<br>Securities Division<br>State of Washington<br>150 Israel Rd. SW<br>Tumwater, Washington 98501 |
| <b>Wisconsin</b><br>Commissioner of Securities<br>Wisconsin Securities Commission<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705 |  |

**EXHIBIT C**  
**FRANCHISE AGREEMENT**

**EXHIBIT C**

**JAZEN TEA® FRANCHISE AGREEMENT**

**SOUTH BAY SOUP CORPORATION**  
**JAZEN TEA® FRANCHISE AGREEMENT**

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## **SCHEDULES**

- A. Authorized Location and Franchise Territory
- B. Personal Guaranty
- C. Addendum to Lease
- D. Franchisee's Covered Persons as of the Effective Date
- E. Spousal Consent
- F. Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name
- G. SBA Addendum

**SOUTH BAY SOUP CORPORATION**  
**JAZEN TEA® FRANCHISE AGREEMENT**

This Jazen Tea® Franchise Agreement (“Agreement”) is made and entered into on \_\_\_\_\_, \_\_\_\_ (“Effective Date”) by and between South Bay Soup Corporation, a California corporation (“Company”), and \_\_\_\_\_ (“Franchisee”) with reference to the following facts:

**R E C I T A L S**

A. Company owns the right to operate, and license third parties to operate, retail establishments featuring specialty fruit teas, fruit smoothies, and “bubble” style milk teas made with proprietary brewed high quality tea leaves that customers may customize by adding various jellies, fruit bits, whipped cream, tapioca, or other flavor enhancements (collectively referred to as “Stand-Alone Jazen Tea® Shops”). Stand-Alone Jazen Tea® Shops are identified to the public by the Jazen Tea® Marks and sell Jazen Tea® Menu Items and operate following distinctive business processes and systems collectively referred to as the “Jazen Tea® System.”

B. Company also owns the right to operate, and license third parties to operate, restaurants (collectively referred to as “Stand-Alone Phở Hòa® Restaurants”) offering sit-down table-service casual dining featuring specialty Vietnamese noodle soups and plate dishes made from proprietary recipes with fresh ingredients designed to appeal to health-conscious customers (collectively referred to as “Phở Hòa® Menu Items”) under the “Phở Hòa® System” and “Phở Hòa® Marks.”

C. Company also owns the right to operate, and license qualified Stand-Alone Phở Hòa® Restaurant Franchisees to operate, Co-Branded Phở Hòa® Restaurants, which offer both Phở Hòa® Menu Items and Core Jazen Tea® Menu Items, incorporate the Jazen Tea® signs and distinctive branding elements and utilize the Jazen Tea® Marks and Jazen Tea® System together with the Phở Hòa® System and Phở Hòa® Marks in operating their Phở Hòa® Restaurant. Where relevant, this Agreement refers to co-branded restaurants as “Co-Branded Phở Hòa® Restaurants” to distinguish them from Stand-Alone Jazen Tea® Shops. When Company awards co-branding rights to a Phở Hòa® Restaurant Franchisee, Company and the Phở Hòa® Restaurant Franchisee enter into a Co-Branding Addendum in order to amend certain provisions in the Phở Hòa® Restaurant Franchise Agreement.

D. Franchisee desires to obtain a license to use the Jazen Tea® System and Jazen Tea® Marks in the operation of a Stand-Alone Jazen Tea® Shop at a specific Authorized Location, and Company is willing to grant a license to Franchisee to operate a single Stand-Alone Jazen Tea® Shop on the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

**I. DEFINITIONS**

In addition to definitions incorporated in the body of this Agreement, the following capitalized terms in this Agreement are defined as follows:



A. “Addendum to Lease” means the written agreement by and between Franchisee and the landlord of the Authorized Location that adds specific terms and conditions required by Company to the Lease and grants Company the right, but not the obligation, to accept an assignment of the Lease under stated conditions, in the form attached hereto as **Schedule C**.

B. “Affiliate” means an entity that directly or indirectly controls, is controlled by, or is under common control with, a party to this Agreement. “Affiliates” means more than one Affiliate.

C. “Applicable Laws” mean applicable common law and all statutes, laws, rules, regulations, ordinances, policies, and procedures established by any governmental authority with jurisdiction over the operation of the Franchised Shop that are in effect on or after the Effective Date, as they may be amended from time to time. Applicable Laws include, without limitation, those relating to building permits and zoning requirements applicable to the use, occupancy and development of the Authorized Location; business licensing requirements; hazardous waste; occupational hazards and health; consumer protection; trade regulation; workers’ compensation; unemployment insurance; withholding and payment of Federal and State income taxes and social security taxes; collection and reporting of sales taxes; and the Americans With Disabilities Act.

D. “Authorized Location” means the specific business premises approved by Company for the operation of the Stand-Alone Jazen Tea® Shop that is the subject of this Agreement, having the address shown on **Schedule A**.

E. “Business Day” means weekdays only, excluding Saturdays, Sundays and federal and state holidays observed in the state where the Franchised Shop is located.

F. “Business Entity” shall mean a corporation, limited liability company, partnership, limited liability partnership, trust or other type of legal entity that, under Applicable Laws, may enter into contracts in its own name.

G. “Calendar Month” means any one of the 12 months of the Calendar Year starting on the first day of the Calendar Month.

H. “Calendar Year” means the 12-month period starting on January 1 and ending on December 31.

I. “Certified Manager” is a full-time management-level employee who completes Company’s training requirements to Company’s reasonable satisfaction and undertakes responsibility for day-to-day operations of the Franchised Shop, including responsibility for supervising all employees. Franchisee’s Primary Owners may qualify as Certified Managers.

J. “Co-Branding Addendum” is the form of agreement entered into by a Co-Branding Franchisee that amends the Phở Hòa® Franchise Agreement and authorizes the Co-Branding Licensee to sell Core Jazen Tea® Menu Items at a Co-Branded Phở Hòa® Restaurant.

K. “Co-Branding Franchise” means the right to own and operate a Co-Branded Phở Hòa® Restaurant on the terms of a Phở Hòa® Franchise Agreement as amended by the Co-Branding Addendum.

L. “Co-Branding Franchisee” means a franchisee that owns and operates a Co-Branded Phở Hòa® Restaurant. A Co-Branding Franchisee may acquire Co-Branding Franchise rights at the same time they acquire a Phở Hòa® Restaurant Franchise or after their Phở Hòa® Restaurant opens for business.

M. “Co-Branding Opening Date” applies to Co-Branding Franchisees only and is the date on which a Co-Branded Phở Hòa® Restaurant begins offering Core Jazen Tea® Menu Items for sale in addition to the customary Phở Hòa® Menu Items. The Co-Branding Opening Date may be the same date as the Opening Date of the Phở Hòa® Restaurant or a later date.

N. “Competitive Business” means any business that derives more than 50% of its revenue from the manufacture, sale or distribution of Asian-style “bubble” drinks at retail or wholesale regardless of whether the competitive business only sells one type of beverage sold at Stand-Alone Jazen Tea® Shops (e.g., fruit smoothies) and not as extensive or diverse a menu as the then-current Jazen Tea® Menu Items. A Competitive Business also includes a business that, in its entirety, so resembles the trade dress, service style and menu items that comprise the distinguishing features of the Jazen Tea® System as to create a likelihood of consumer confusion or dilution of the Jazen Tea® Marks.

O. “Confidential Information” includes, without limitation, any information or knowledge concerning the: (i) ingredients, raw materials, recipes and food preparation processes for Proprietary Products, Non-Proprietary Products and other merchandise and services sold at Stand-Alone Jazen Tea® Shops; (ii) Company’s supply relationships; (iii) sales, profit performance or other results of operations of any Stand-Alone Jazen Tea® Shop, Stand-Alone Phở Hòa® Restaurant, or Co-Branded Phở Hòa® Restaurant, including those owned and operated by Company’s Affiliates or Company’s Affiliates’ licensees; (iv) demographic data for determining sites and territories; (v) the results of surveys and promotional programs; (vi) information pertaining to any proprietary computer system and software applications that Company may require Franchisee to use; and (vii) in general, methods, trade secrets, specifications, customer data, pricing and cost data, procedures, information systems, ideas, research, methods and knowledge about the operation of Stand-Alone Jazen Tea® Shops, Stand-Alone Phở Hòa® Restaurants or Co-Branded Phở Hòa® Restaurants, the Jazen Tea® System or the Phở Hòa® System, whether it is now known or exists or is acquired or created in the future, and whether or not the information is included in the JT Manual or in the confidential operating manuals provided to Phở Hòa® Franchisees, the subject of registration or copyright (or suitable for registration or copyright), or information that Company expressly designates as Confidential Information. Any information or knowledge that Company designates to be confidential shall be treated as “Confidential Information” for purposes of this Agreement. Confidential Information does not include (y) information that Franchisee can demonstrate came to its attention independent of purchasing a Stand-Alone Jazen Tea® Shop Franchise and before Company’s disclosure of the information in the JT Manual or otherwise, and (z) information that Company agrees is, or has become, generally known in the public domain, except where public knowledge is the result of Franchisee’s wrongful disclosure whether or not deliberate or inadvertent.

P. “Controlling Interest” means the possession, directly or indirectly, of power to direct, or cause a change in the direction of, the management and policies of a Business Entity. Company shall consider whether a transfer, either alone or together with all other previous, simultaneous or proposed transfers, would have the effect of transferring, in the aggregate, a sufficient number of the equity or voting interests of Business Entity to enable the purchaser or

transferee to direct, or cause a change in the direction of, the management and policies of the Business Entity.

Q. “Core Jazen Tea® Menu Items” are the primary featured beverages that are included at any time as Jazen Tea® Menu Items. For example, Core Jazen Tea® Menu Items exclude snacks and may include fewer than all of the beverages authorized for sale at Stand-Alone Jazen Tea® Shops.

R. “Covered Area” means anywhere within a 10-mile radius measured from (i) the Authorized Location; (ii) each and every other Stand-Alone Jazen Tea® Shop located anywhere in the world regardless of whether the Stand-Alone Jazen Tea® Shop opens before or after the “Effective Date of Termination or Expiration” of this Agreement, or is owned by another franchisee, Company, Company’s Affiliates or Company’s Affiliates’ licensees; and (iii) each and every Co-Branded Phở Hòa® Restaurant located anywhere in the world regardless of whether the Co-Branded Phở Hòa® Restaurant opens before or after the Effective Date of Termination or Expiration of this Agreement, or is owned by another franchisee, Company, Company’s Affiliates or Company’s Affiliates’ licensees.

S. “Covered Person” means (i) the individual executing this Agreement as Franchisee; (ii) each officer, director, shareholder, member, manager, trustee or general partner of Franchisee and each Franchisee Affiliate if Franchisee is a Business Entity; and (iii) the spouse, adult children, parents or siblings of the individuals included in (i) and (ii). Franchisee represents that **Schedule D** is a true and complete list of the Covered Persons as of the Effective Date.

T. “Effective Date” is the date indicated on page 1 of this Agreement.

U. “Force Majeure” includes an event caused by or resulting from an act of God, labor issues, failure of suppliers, vendors or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, epidemic, pandemic or quarantine restrictions, material shortages or rationing, act of any government, and any other similar cause that is not within the control of the party whose performance is required.

V. “Franchise Disclosure Document” means the Franchise Disclosure Document that Franchisee acknowledges that it received before executing this Agreement or paying any consideration for the franchise to Company or Company’s Affiliates.

W. “Franchised Shop” means the specific Stand-Alone Jazen Tea® Shop owned and operated by Franchisee that is the subject of this Agreement.

X. “Gross Sales” means the aggregate of all revenue and income from operating the Franchised Shop, including the actual proceeds received from all sales of food, beverages or other goods, merchandise or services, whether payment is in cash, by credit card, gift cards, or other generally accepted form of payment. Gross Sales also include all proceeds from any business interruption insurance, revenue from the sale of menu items to employees, and the value of products and services bought by customers by redeeming authorized gift cards. Excluded from Gross Sales are: (i) sales taxes and other taxes separately stated and collected from customers and pay to taxing authorities; (ii) refunds and credits made in good faith to arms’ length customers; (iii) the amount of any checks dishonored or returned and the amount of any charge backs or reversals of credit card transactions with customer; (iv) proceeds from the sale of gift cards; (v) proceeds from isolated sales of trade fixtures having no material effect on

ongoing operations; (vi) employee tips; and (vii) the value of menu items furnished at no cost to employees.

Y. “Incapacity” is the inability due to medical reasons to devote full time and attention to the administrative and operational activities of the Franchised Shop that continues for at least 120 days in the aggregate during any rolling 12-month period during the Term, based upon the examination and findings of a physician selected by Company. A period of Incapacity shall continue without interruption unless and until the person suffering the Incapacity resumes his or her duties on a full time basis for 30 consecutive days.

Z. “Jazen Tea® Menu Items” mean collectively all of the specialty beverages and foods that Company designates in the JT Manual and authorizes for sale at Stand-Alone Jazen Tea® Shops. Jazen Tea® Menu Items are more extensive than Core Jazen Tea® Menu Items.

AA. “Jazen Tea® Marks” refer collectively to all of the trademarks, service marks, logos and commercial symbols that Company specifically designates in writing during the Term and authorizes Stand-Alone Jazen Tea® Shop Franchisees and Co-Branding Franchisee to use in connection with the development, operation and marketing of Stand-Alone Jazen Tea® Shops or Co-Branded Phở Hòa® Restaurants.

BB. “Jazen Tea® System” means, collectively, the distinctive business methods for the development and operation of Stand-Alone Jazen Tea® Shops or Co-Branded Phở Hòa® Restaurants that Company designates and may modify in its sole discretion at any time, including, without limitation, specialized recipes; processes for handling, preparing, presenting and serving foods and beverages served to the public; distinctive trade dress specifications; retail operating procedures; marketing strategies; standards for customer service; record keeping and financial and operational reporting; requirements regulating the use of the Jazen Tea® Marks; and Confidential Information.

CC. “JT Manual” refers collectively to all of the confidential operating and recipe manuals and other written instructional materials loaned or delivered to Franchisee in confidence during the Term pertaining to the operation of a Stand-Alone Jazen Tea® Shop or use of the Jazen Tea® Marks and Jazen Tea® System.

DD. “Lease” refers to the written agreement by and between Franchisee and the owner or master tenant of the business premises where the Authorized Location is situated that grants Franchisee the right to occupy and use the Authorized Location for the operation of a Stand-Alone Jazen Tea® Shop.

EE. “Local Advertisements” include, without limitation, all communications that Franchisee creates or adapts and intends to use, directly or indirectly, to advertise and promote the Franchised Shop or Franchisee’s status as an authorized franchisee or that display the Jazen Tea® Marks. Local Advertisements shall include, without limitation: (i) written, printed and electronic communications; (ii) communications by means of a recorded telephone message, spoken on radio, television or similar communication media; (iii) promotional items or promotional or publicity events; (iv) the use of Jazen Tea® Marks on stationery, business cards, signs, products, merchandise, logo apparel, brochures, and other tangible personal property; and (v) the use of Jazen Tea® Marks on the World Wide Web including on social media sites.

FF. “Metropolitan Urban Core Area” refers to a geographic area designated by Company within the boundaries of a Metropolitan Statistical Area as identified by the U.S. Office

of Management and Budget possessing a high concentration of residents or daytime workers. Examples of a Metropolitan Urban Core Area are Manhattan and downtown Chicago and San Francisco.

GG. “Non-Proprietary Products” refers to all equipment, supplies, ingredients, raw materials, products, merchandise, and materials authorized by Company that Franchisee may, or must, use, offer, sell or promote in operating the Franchised Shop that are not Proprietary Products.

HH. “Opening Date” is the date on which the Franchised Shop actually opens for business to the public.

II. “Operating Year” is defined as each 12-month period during the Term of this Agreement beginning on the Opening Date.

JJ. “Proprietary Products” refers to any ingredients, supplies, uniforms, specially-configured equipment or computer hardware and software applications or other merchandise that Franchisee must use or sell to operate the Franchised Shop in accordance with the Jazen Tea® System that either display the Jazen Tea® Marks or are manufactured or produced in accordance with specifications and sold only by Company or its designated suppliers, which may include Company’s Affiliates.

KK. “Phở Hòa® Franchise Agreement” refers to the particular form of franchise agreement that a Phở Hòa® Restaurant Franchisee or Co-Branding Franchisee enters into with Company in connection with the award of a Phở Hòa® Restaurant franchise.

LL. “Phở Hòa® Menu Items” mean collectively the customary menu items that Company authorizes for sale at Stand-Alone Phở Hòa® Restaurants.

MM. “Phở Hòa® Restaurant Franchisee” means a franchisee that is licensed to operate a Stand-Alone Phở Hòa® Restaurant and excludes a Co-Branding Franchisee and a Stand-Alone Jazen Tea® Shop Franchisee.

NN. “Primary Owner” refers to any person who owns at least 10% of the outstanding equity or voting interests of a Franchisee that is a Business Entity.

OO. “Regional Shopping Mall” refers to a retail destination having two or more anchor tenants and dedicated parking space within one or more buildings forming a complex of shops representing unrelated merchandisers with interconnecting walkways enabling visitors to easily walk from unit to unit. Company alone shall determine if a shopping complex qualifies as a Regional Shopping Mall.

PP. “Stand-Alone Jazen Tea® Shop” means a retail location that is authorized to sell Jazen Tea® Menu Items only.

QQ. “Stand-Alone Jazen Tea® Shop Franchise” means the right to own and operate a Stand-Alone Jazen Tea® Shop under a license from Company.

RR. “Stand-Alone Jazen Tea® Shop Franchisee” means any franchisee that owns and operates a Stand-Alone Jazen Tea® Shop under a license from Company.

SS. “Stand-Alone Phở Hòa® Restaurant” means a Phở Hòa® Restaurant that is authorized to sell Phở Hòa® Menu Items only and is not licensed to operate as a Co-Branded Phở Hòa® Restaurant.

TT. “Term” is the period starting on the Effective Date and expiring at the end of 5 complete Operating Years starting from the Opening Date, unless this Agreement is terminated sooner pursuant to the provisions in this Agreement.

UU. “Territory” is the geographic area, if any, shown or described on **Schedule A** that Company awards to Franchisee as part of the grant of franchise rights.

VV. “World Wide Web” means that portion of the Internet used primarily as a commercial computer network by the general public, and any successor technology, whether now existing or developed after the Effective Date, that, among other things, enables the general public to communicate with one another and purchase products or services from merchant-controlled World Wide Web sites.

## II. GRANT

### A. Award of Rights.

1. Company hereby awards to Franchisee, and Franchisee accepts, the right and license to use the Jazen Tea® System and Jazen Tea® Marks in connection with the operation of the Franchised Shop, subject to the terms and conditions of this Agreement. Franchisee may not relocate the Franchised Shop except in accordance with this Agreement.

2. As a condition of the award of franchise rights, concurrently with the execution of this Agreement, Franchisee shall execute the form of Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name attached to this Agreement as **Schedule F**.

3. In accepting the award of rights, Franchisee agrees at all times to faithfully, honestly and diligently perform its obligations under this Agreement and to continuously exert its best efforts to promote and enhance the Franchised Shop and the goodwill associated with the Jazen Tea® Marks and the Jazen Tea® System.

### B. Limitations.

1. Company grants Franchisee no rights other than the rights expressly stated in this Agreement. Franchisee’s use of the Jazen Tea® System or Jazen Tea® Marks for any purpose, or in any manner, not permitted by this Agreement shall constitute a breach of this Agreement.

2. The franchise and license awarded to Franchisee apply to the Authorized Location, and to no other location.

3. Nothing in this Agreement gives Franchisee the right to grant sublicenses to others permitting use of the Jazen Tea® Marks or Jazen Tea® System.

4. Nothing in this Agreement gives Franchisee the right to object to Company’s award of franchises or development rights to others.

5. Nothing in this Agreement gives Franchisee an interest in Company or the right to participate in Company's business activities, investment or corporate opportunities.

6. This Agreement authorizes Franchisee to engage only in the sale of authorized products and services to customers at the Authorized Location or via delivery to customers at a location in the Territory utilizing an approved third-party delivery service provider.

7. Franchisee shall not engage in wholesale sales or distribution of ingredients, foods, beverages or merchandise of any kind. The term "wholesale sales or distribution" means the direct or indirect sale of products or merchandise to a third party for resale or further distribution through any trade method or trade channel. Franchisee shall not advertise or sell authorized ingredients, foods, beverages or merchandise by mail order, catalog sales or comparable methods that solicit business from customers by means not requiring the customer's physical presence in the Authorized Location to complete the transaction.

8. Franchisee shall not maintain its own World Wide Web site to promote the Franchised Shop or otherwise maintain a presence or advertise the Franchised Shop or use the Jazen Tea® Marks in any domain name or on any public computer network except in accordance with Company's policies and, then, only with Company's prior written consent to Franchisee's Local Advertisements.

C. Improvements; Duty to Conform to Modifications.

1. Any improvements, modifications or additions that Company makes to the Jazen Tea® System, or that become associated with the Jazen Tea® System, including, without limitation, ideas suggested or initiated by Franchisee, shall inure to the benefit and become the exclusive property of Company. Franchisee hereby assigns to Company or its designee all intellectual property rights, including without limitation, all copyrights, in and to any improvements or works, which Franchisee may create, acquire or obtain in operating the Franchised Shop. Franchisee agrees that Company may use, and authorize others to use, improvements that Franchisee suggests, initiates or originates without compensation to Franchisee and without Franchisee's permission. Franchisee understands and agrees that nothing in this Agreement shall constitute or be construed as Company's consent or permission to Franchisee to modify the Jazen Tea® System. Any modification that Franchisee desires to propose or make to the Jazen Tea® System shall require Company's prior written consent.

2. Any goodwill resulting from Franchisee's use of the Jazen Tea® Marks or the Jazen Tea® System shall inure to the exclusive benefit of Company. This Agreement confers no goodwill or other interest in the Jazen Tea® Marks or the Jazen Tea® System upon Franchisee, except a non-exclusive and limited license to use the Jazen Tea® Marks and the Jazen Tea® System during the Term subject to the terms and conditions stated in this Agreement.

3. Franchisee understands and agrees that Company may modify the Jazen Tea® System from time to time as often as, and in the manner that, Company determines, in its sole discretion, is necessary to best promote Stand-Alone Jazen Tea® Shops as a chain to the public. Company shall give Franchisee written notice of all changes to the Jazen Tea® System. Franchisee shall, at its own cost and expense, promptly adopt and use only those parts of the Jazen Tea® System specified by Company and shall promptly discontinue the use of those parts of the Jazen Tea® System that Company directs are to be discontinued. Except as

directed by Company, Franchisee shall not change, modify or alter the Jazen Tea® System in any way.

D. Deviations from the Jazen Tea® System. Company may allow other franchisees and licensees to deviate from the Jazen Tea® System in individual cases in the exercise of Company's sole discretion. Franchisee understands and agrees that it has no right to object to any variances that Company may allow to itself, Company's Affiliates or other franchisees or licensees, and has no claim against Company for not enforcing the standards of the Jazen Tea® System uniformly. Franchisee understands and agrees that Company has no obligation to waive, make any exceptions to, or permit Franchisee to deviate from, the uniform standards of the Jazen Tea® System. Any exception or deviation that Company does allow Franchisee must be stated in writing and executed by Company in order to be enforceable against Company.

E. Additional Franchises. This Agreement does not grant Franchisee any implied or preferential right of any kind to acquire an additional franchise to operate another Franchised Shop.

### III. AUTHORIZED LOCATION; TERRITORIAL RIGHTS

#### A. Selection of Authorized Location; Award of Territory.

1. If the parties have mutually agreed upon the Authorized Location on or before the Effective Date, they shall indicate the Authorized Location's street address and the boundaries of the Territory on **Schedule A**, which they shall execute at the same time they execute this Agreement, in which case the balance of this Section III.A shall not apply to Franchisee. Franchisee understands that it is not entitled to be assigned a Territory if the Authorized Location is within a Metropolitan Urban Core Area.

2. If the parties have not identified the Authorized Location on or before the date they execute this Agreement, Franchisee shall be responsible for selecting the Authorized Location, subject to Company's approval, pursuant to the procedures stated in this Section III.A. The fact that Company may, in its sole discretion, offer Franchisee advice, recommendations or site location services of any kind shall not constitute an admission on Company's part that it is responsible for identifying potential sites, and Franchisee understands that site selection shall be Franchisee's sole responsibility, subject to Company's right to approve the site.

a. In evaluating potential sites, Franchisee shall consider Company's current site selection criteria set forth in the JT Manual as well as Company's current specifications for the design, appearance, trade dress elements, equipment layout and leasehold improvements of a typical Stand-Alone Jazen Tea® Shop, which Company shall provide to Franchisee, without charge, following the parties' execution of this Agreement. Franchisee may request site approval for more than one site; but it shall not extend the time period for obtaining site approval.

b. To obtain Company's approval of a proposed site, Franchisee shall submit a written site proposal to Company, in the form indicated in the JT Manual. Franchisee's site proposal shall be accompanied by a letter of intent or other evidence satisfactory to Company that confirms the willingness of the owner or master tenant of the Authorized Location to offer Franchisee a Lease and to execute an Addendum to Lease in the form required by Company.



c. Following receipt of Franchisee's written site proposal, Company may, in its sole discretion, make an on-site visit to the proposed site at Company's expense if Company reasonably believes that physical inspection of the demographic conditions of the area, or the proposed site, is necessary or desirable to evaluate Franchisee's proposal. Franchisee understands and agrees that the on-site visit is at Company's option and not required by this Agreement.

d. Company shall have 21 days following receipt of Franchisee's completed site proposal to complete any site visit that it elects to make and approve or disapprove the proposed site by giving written notice to Franchisee (the "Site Approval Notice"). Company's failure to give timely notice of approval of Franchisee's written site proposal shall constitute Company's disapproval. Franchisee understands and agrees that:

(1) Franchisee is solely responsible for site selection and negotiation of a Lease for the Authorized Location.

(2) If Franchisee proposes more than one site simultaneously, Company need only approve one site at a time.

(3) Company's approval of a site is not a guaranty or warranty that operation of a Stand-Alone Jazen Tea® Shop at the site will be successful or profitable. Company's approval of a site signifies only that the site meets Company's current site criteria.

(4) Company's approval of a site does not certify that Franchisee's development, use or occupancy of the site as a Stand-Alone Jazen Tea® Shop will conform to Applicable Laws. Franchisee understands and agrees that it is solely responsible for investigating and complying with Applicable Laws concerning development and occupancy of the Authorized Location.

#### B. Territory and Territorial Rights.

1. Franchisee understands and agrees that the Territory awarded to Franchisee, if any, depends on the particular characteristics of the Authorized Location, as follows:

a. If the Authorized Location is in a Metropolitan Urban Core Area, no Territory is assigned to an Authorized Location.

b. If the Authorized Location is not in a Metropolitan Urban Core Area, the Territory shall be an area measuring approximately three miles from the front door of the Authorized Location.

2. Franchisee understands and agrees that (i) the Territory that Company assigns to each Stand-Alone Jazen Tea® Shop in a comparable type of location may not be identical in size or proportion; (ii) Company may award a particular Stand-Alone Jazen Tea® Shop a larger Territory in Company's sole discretion; and (iii) Company shall designate the boundaries of the Territory by road routes, geographical or political boundaries or similar demarcations.

3. If Company approves the proposed site, Company's Site Approval Notice shall identify the boundaries of the Territory that Company will assign to the proposed site or

indicate if the proposed site is in a Metropolitan Urban Core Area, in which case no Territory shall be assigned. When the parties mutually agree upon the boundaries, they shall execute **Schedule A** to indicate the street address of the Authorized Location and the boundaries of the Territory; provided their failure to execute **Schedule A** shall not invalidate the Site Approval Notice. Franchisee's objection to the proposed boundaries of the Territory or the site's designation as being in a Metropolitan Urban Core Area shall not extend the time that Franchisee has to complete site selection.

4. If Company awards Franchisee a Territory, Company agrees not to open or operate, or grant others, including, without limitation, Company's Affiliates or unrelated persons, the right to open or operate, a Stand-Alone Jazen Tea® Shop under the Jazen Tea® Marks anywhere in the Territory shown or described on **Schedule A** subject to the provisions of this Agreement. Franchisee understands and agrees that:

a. The award of a Territory does not give Franchisee any exclusive or preferential right over Company, Company's Affiliates or other franchisees or licensees (i) to sell authorized products or services to persons who reside or work in the Territory, or (ii) to market or advertise its Stand-Alone Jazen Tea® Shop in media that circulates, broadcasts or otherwise is directed to or accessible by persons in the Territory.

b. Company, on behalf of itself and its Affiliates and their respective licensees, reserves all other rights not specifically granted to Franchisee pursuant to this Agreement, including, without limitation, the right, directly or indirectly, to engage in any of the following activities within the Territory without prior notice or compensation to, or consent of, Franchisee:

(1) To sell, directly or indirectly, all products and merchandise of any kind, including, without limitation, the retail or wholesale sales or distribution of Proprietary Products, Jazen Tea® Menu Items or merchandise bearing the Jazen Tea® Marks through any other retail and wholesale channels of distribution, including by means of the Internet, mail order catalogues, direct mail advertising, and from supermarkets, restaurants and other food service businesses that do not do business under the Jazen Tea® Marks;

(2) To open and operate, either directly or indirectly, any type of restaurant or food establishment including, without limitation, Stand-Alone Phở Hòa® Restaurants as long as the restaurant or food establishment does not sell Jazen Tea® Menu Items or do business under the Jazen Tea® Marks; and

(3) To purchase or be purchased by, or merge or combine with, competing businesses that have one or more locations in the Territory.

C. Lease and Addendum to Lease. Promptly following the parties' execution of **Schedule A**, Franchisee shall (i) execute a Lease and Addendum to Lease with the real property owner or master tenant of the Authorized Location, and (ii) deliver to Company a copy of the fully-executed Lease and Addendum to Lease, together with an original UCC-1 in recordable form in favor of Company as the secured party. If Applicable Laws dispense with the requirement that Franchisee execute the UCC-1 before its recordation, Franchisee understands that Company may record a UCC-1 disclosing its security interest in Franchisee's leasehold interest.

D. Right to Terminate Agreement.

1. Franchisee may terminate this Agreement at any time, and for any reason, before Franchisee signs the Lease and Addendum to Lease by giving Company written notice of termination.

2. Franchisee may terminate this Agreement before submitting a written site proposal to Company effective by giving Franchisee written notice that it wishes to terminate this Agreement. Company shall refund \$5,000 of the Initial Franchise Fee to Franchisee if Franchisee signs Company's form of General Release within 30 days from the date of Franchisee's written notice of termination; Franchisee shall not be entitled to a refund of any portion of the Initial Franchise Fee unless it timely delivers to Company an executed General Release.

E. Relocation.

1. If (i) the Lease expires or terminates for reasons other than Franchisee's breach; (ii) the Authorized Location or building in which the Franchised Shop is located is destroyed, condemned or otherwise rendered unusable; or (iii) the parties mutually believe that relocation will increase the business potential of the Franchised Shop, Franchisee agrees to relocate the Franchised Shop, at Franchisee's sole expense, to a new location selected by Franchisee, and approved by Company, in accordance with Company's then-current site selection procedures as specified in the JT Manual, including Company's execution of a new Site Approval Notice. The new Site Approval Notice shall identify the boundaries of the new Territory, if any, which shall be awarded to the new site subject to the conditions of this Agreement pertaining to the award of a Territory. The parties shall amend **Schedule A** to reflect the street address and Territory of the new Authorized Location; provided their failure to execute **Schedule A** shall not invalidate the Site Approval Notice.

2. At Franchisee's sole expense, Franchisee shall construct and develop the new premises to conform to Company's then-current specifications for design, appearance, trade dress elements, equipment plan and layout and leasehold improvements for new Stand-Alone Jazen Tea® Shops. Franchisee shall remove any signs, trade dress, equipment or similar property from the original Authorized Location that identify the original Authorized Location as belonging to the Jazen Tea® System.

3. Franchisee shall complete relocation without any interruption in the continuous operation of the Franchised Shop unless Company's prior written consent is obtained. As a condition to consenting to a disruption in operations, Company may impose maximum time periods, which shall be reasonable under the circumstances compelling relocation, in which Franchisee must (i) obtain Company's site selection approval for the new Authorized Location; and (ii) complete construction and development of the new premises in accordance with Company's specifications. If Company consents to a disruption in operations and such operations cease, then Franchisee agrees that, until operations resume at the new location: (x) the term of this Agreement shall not be abated, and (y) Franchisee shall remain liable to pay Royalty Fees and any Jazen Tea® Marketing Fees in an amount equal to the average paid by Franchisee during the 6 Calendar Months immediately preceding the date that operations cease or the shorter period that Franchisee has been in business at the original Authorized Location. Franchisee's failure to accept or abide by the relocation requirements shall constitute a material breach of this Agreement and grounds for termination.

#### IV. TERM AND RENEWAL

A. Term. This Agreement shall begin on the Effective Date and shall expire without notice 5 years from the Opening Date, unless this Agreement is sooner terminated as provided herein (the 5-year period is referred to as the "Term").

B. Renewal Term. Provided Company is granting new franchises at the time when Franchisee is permitted to exercise the renewal option granted by this Agreement, Franchisee may, at its option, renew the franchise for 2 additional terms of 5 years each (each 5-year period is referred to as a "Renewal Term" and each option to renew is referred to as a "Renewal Option"). To exercise each Renewal Option, Franchisee must comply with the following conditions:

1. Franchisee must give Company written notice of Franchisee's election to renew (the "Renewal Notice") at least 6 months, but not more than 9 months, before the end of the Term or first Renewal Term, as applicable. The first Renewal Term shall begin on the day immediately following the expiration of the Term and the second Renewal Term shall begin on the day immediately following the expiration of the first Renewal Term. The Renewal Option for the second Renewal Term shall be cancelled if Franchisee does not timely and effectively exercise the Renewal Option for the first Renewal Term.

2. Each Renewal Notice must be accompanied by a non-refundable renewal fee equal to 25% of the Initial Franchise Fee that Company is then charging a new Stand-Alone Jazen Tea® Shop Franchisee for the right to open one Stand-Alone Jazen Tea® Shop franchise in the state in which the Authorized Location is located.

3. Franchisee must not be in default under this Agreement or any successor Franchise Agreement at the time it gives the Renewal Notice or on the first day of the applicable Renewal Term. Further, Franchisee must not have received more than 3 notices of default during any 24-month period during the Term or first Renewal Term, as applicable, whether or not the notices relate to the same or different defaults, and whether or not the defaults have each been timely cured by Franchisee.

4. To exercise each Renewal Option, Franchisee shall execute Company's then-current form of Franchise Agreement together with Company's then-current form of Renewal Amendment. Each then-current Renewal Amendment shall provide that (i) the term of the then-current Franchise Agreement shall be the Renewal Term and Franchisee shall not have the renewal rights set forth in the then-current Franchise Agreement, but shall instead have the Renewal Options set forth in this Agreement; (ii) Franchisee shall not be required to pay the Initial Franchise Fee stated in the then-current Franchise Agreement, but instead shall pay the renewal fee stated in this Agreement; (iii) Franchisee shall not be required to complete or participate in the initial training programs that Company is then offering to new franchisees, but shall instead be required to complete any training programs then offered by Company to renewing franchisees. The Renewal Amendment shall not change the Authorized Location or the Territory, if any, assigned by this Agreement unless the parties mutually agree to a change; however, the Renewal Amendment shall provide that Company's reserved rights within the Territory, if any, shall be as set forth in the then-current Franchise Agreement and not as set forth in this Agreement. Franchisee understands that the then-current Franchise Agreement may be materially different than this Agreement, including, without limitation, requiring payment of additional or different fees to Company.

5. Franchisee shall satisfy Company's then-current training requirements, if any, for renewing franchisees.

6. Franchisee shall satisfy Company's then-current appearance, trade dress elements, design standards, equipment and leasehold improvement specifications that apply to new Stand-Alone Jazen Tea® Shops, including, without limitation, conforming the Franchised Shop to Company's then-current design, appearance, trade dress elements and imaging requirements; signs; equipment, furnishings and fixtures; and accounting and recordkeeping systems.

7. Franchisee shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

C. Ineffective Exercise of Renewal Option. Franchisee's failure to deliver the agreements and release required by this Paragraph within 30 days after Company delivers them to Franchisee shall be deemed an election by Franchisee not to exercise the Renewal Option.

D. Extension. If Company is in the process of revising, amending or renewing its franchise disclosure document or registration to sell franchises in the state where the Franchised Shop is located, or, under Applicable Laws, cannot lawfully offer Franchisee its then-current form of Franchise Agreement at the time Franchisee delivers a Renewal Notice, Company may, in its sole discretion, offer to extend the terms and conditions of this Agreement on a day-to-day basis following the expiration of the Term (or the first Renewal Term, as applicable) for as long as Company deems necessary so that Company may lawfully offer its then-current form of Franchise Agreement; provided, however, nothing in this paragraph shall require Company to extend this Agreement if, at the time Franchisee delivers the Renewal Notice (i) Company is not granting new franchises, or (ii) Franchisee is in default under this Agreement.

E. Failure to Satisfy Renewal Conditions. If any of the renewal conditions are not timely satisfied, this Agreement will expire on the last day of the Term (or the first Renewal Term, as applicable) without further notice from Company; provided, however, Franchisee shall remain obligated to comply with all provisions of this Agreement that expressly, or by their nature, survive the expiration or termination of this Agreement.

## V. AUTHORIZED LOCATION DEVELOPMENT AND OPENING DATE

### A. Franchisee's Design Plans.

1. After the parties execute this Agreement, Company shall provide Franchisee with one set of Company's specifications for the design, appearance, trade dress elements, equipment and leasehold improvements of the Stand-Alone Jazen Tea® Shop together with a sample layout for kitchen equipment, which Franchisee shall use to evaluate potential sites and select the Authorized Location.

2. At Franchisee's sole expense, Franchisee shall retain the services of an architect, space designer or other appropriate construction personnel to prepare design and construction plans ("Franchisee's Design Plans") that adapt Company's specifications to the specific dimensions, square footage and conditions of the Authorized Location and to the requirements of the Lease and Applicable Laws. At a minimum, Franchisee's Design Plans

shall address, without limitation, exterior signs, lighting, flooring, mechanical systems, electrical systems, plumbing, carpentry, wall coverings, ceiling treatments, exhaust/ventilation systems, restaurant dining, food preparation and storage areas, general trade dress components and other improvements that Franchisee intends to install and use in the Authorized Location, together with such other information as may be specified in the JT Manual.

3. Franchisee shall submit Franchisee's Design Plans to Company for approval before Franchisee may begin construction and development of the Authorized Location. Company shall promptly review Franchisee's Design Plans and may reject or approve Franchisee's Design Plans completely, or approve Franchisee's Design Plans subject to specified modifications. Company shall communicate its decision in writing within 20 days after receipt of a complete set of Franchisee's Design Plans.

**B. Development of Authorized Location.**

1. Franchisee shall cause all construction and other development work to be carried out in compliance with the version of Franchisee's Design Plans that Company approves. Franchisee is solely responsible for procuring all equipment, fixtures, furniture, computer and software systems, trade dress elements, signs, supplies, materials and decorations required for development and operation of the Stand-Alone Jazen Tea® Shop. Franchisee shall not make any material changes to the version of Franchisee's Design Plans that Company approves without first submitting the changes in writing to Company for further approval.

2. Franchisee shall cause all construction and development work to conform with the Lease and Applicable Laws, including, without limitation, all government and utility permit requirements (such as, for example, zoning, sanitation, building, utility and sign permits). Franchisee shall complete development of the Authorized Location diligently, expeditiously and in a first-class manner at Franchisee's sole expense.

3. Franchisee understands and agrees that it is solely responsible for selecting competent construction personnel and for supervising, and for the acts and omissions of, its construction personnel. Franchisee shall obtain all customary contractors' lien waivers for the work performed. The fact that Company may recommend an architect, designer or construction personnel to assist Franchisee in preparing Franchisee's Design Plans or with the performance of actual construction work shall not (i) excuse Franchisee from the duty to obtain Company's approval of Franchisee's Design Plans, (ii) constitute an admission on Company's part of responsibility for preparing Franchisee's Design Plans; or (iii) make Company liable for design or construction work, delays or defects of any kind.

4. Company shall have no responsibility for any delays in opening the Franchised Shop or for any loss resulting from the design of the Authorized Location. Company shall have access to the Authorized Location to inspect the work and performance by Franchisee's construction personnel, but is not obligated to inspect the project periodically during development or upon completion. Franchisee understands and agrees that if Company inspects the work and performance of Franchisee's construction personnel, the inspection is not for purposes of reviewing or certifying that development is in compliance with the Lease or Applicable Laws, but solely to evaluate that development conforms with the version of Franchisee's Design Plans that Company has approved and otherwise with Company's specifications for design, appearance, trade dress elements and leasehold improvements.

C. Opening Date.

1. Franchisee shall use its best efforts to open the Authorized Location for business to the public within 8 months from the date of Company's Site Approval Notice. During this time frame, Franchisee must execute the Lease and Addendum to Lease and complete all the pre-opening obligations described in this Agreement. Franchisee shall not open the Authorized Location for business to the public under the Jazen Tea® Marks unless and until Company issues a written completion certificate. The certificate shall signify that Company finds that the Authorized Location, as built, substantially conforms to the version of Franchisee's Design Plans that Company has approved and that Franchisee has met all other pre-opening requirements, including, without limitation, completing the entire Management Training portion of the Basic Training program to Company's reasonable satisfaction, designating a Certified Manager, and supplying Company with proof of all required insurance coverage, all in accordance with the requirements of this Agreement. Company may require that Franchisee provide Company with photographs and video tapes showing the Authorized Location's physical readiness to open for business.

2. If Franchisee believes Company has failed to adequately provide any services required by this Agreement to be performed by Company before or in connection with the Franchised Shop's opening, whether in regard to site selection, site development, Initial Training or any other matter affecting the establishment of the Franchised Shop, Franchisee shall so notify Company in writing within thirty (30) days following the Opening Date. Absent timely notice to Company, Franchisee shall be deemed to acknowledge conclusively that all required services to be performed by Company before or in connection with the Franchised Shop's opening were provided sufficiently and satisfactorily in Franchisee's judgment.

VI. TRAINING

A. Basic Training.

1. As of the Effective Date, Company's initial training program consists of 2 modules: (i) Management Training; and (ii) Opening Training ("Management Training" and "Opening Training" are collectively referred to as "Basic Training"). The JT Manual and other training materials shall set forth the content and objectives of Basic Training. Company may modify Basic Training at any time without notice, and determine the content, duration, location and manner of conducting Basic Training in Company's sole discretion. Company does not impose a training fee in connection with providing Basic Training before and in connection with the opening of the Franchised Shop. Enrollment in Basic Training is by mutual arrangement and subject to space availability. At a minimum, Franchisee (if Franchisee is a natural person), one of Franchisee's owners (if Franchisee is a Business Entity) or a management-level employee must successfully complete the entire Basic Training program to Company's reasonable satisfaction as a condition to opening the Franchised Shop.

2. If Franchisee is executing this Agreement in connection with exercising a Renewal Option, in consideration of Franchisee's payment of a renewal fee, Franchisee shall be entitled to participate in any training program that Company then provides for renewing franchisees on the same basis as other franchisees renewing contemporaneously.

3. If before the Opening Date, Franchisee, one of Franchisee's owners or a management-level employee does not successfully complete the Management Training to Company's reasonable satisfaction, Company may extend the Management Training class for a

reasonable period of time and require that Franchisee, one of Franchisee's owners or a management-level employee attend the extension of the Management Training class until completed to Company's reasonable satisfaction. Company will not charge a training fee for the extended period of Management Training.

4. Franchisee understands and agrees that Franchisee's, Franchisee's owner's or a management-level employee's successful completion of the entire Basic Training program to Company's reasonable satisfaction does not guaranty that the Franchised Shop will be profitable or successful.

**B. Management-Level Employees; Certified Manager Qualifications.**

1. All newly hired and replacement personnel whose employment responsibilities include day-to-day management of the Franchised Shop shall demonstrate the requisite competency to operate and manage a Stand-Alone Jazen Tea® Shop in Company's judgment, based on Company's sole subjective evaluation. In order to be designated as a Certified Manager of Franchisee's Stand-Alone Jazen Tea® Shop, such personnel must meet Company's then-current qualifications, including satisfactorily completing applicable training requirements to Company's reasonable satisfaction and being certified by ServSafe, a food safety training and certificate program administered by the National Restaurant Association Solutions. At all times after the Opening Date, Franchisee must designate at least one full-time management-level employee who qualifies as the Certified Manager of Franchisee's Stand-Alone Jazen Tea® Shop.

2. Company may change the Certified Manager qualification criteria at any time effective upon notice to Franchisee. Company's notice shall specify any additional training and other requirements applicable to new Certified Managers that an existing Certified Manager must complete in order to maintain his or her designation as a Certified Manager. Company shall allow existing Certified Managers 90 days after the new criteria become effective in which to satisfy the additional training and other requirements without suffering a lapse in their designations as Certified Managers.

3. The award of a Certified Manager designation does not constitute a warranty, guaranty or endorsement by Company or its Affiliates of the person's skills, performance ability or business acumen. Neither Company nor its Affiliates shall have any responsibility for the operating results of the Franchised Shop or the performance of Franchisee's employees or agents.

C. Additional Training. Franchisee may request permission to (i) enroll additional persons in the Management Training portion of Basic Training classes either before the Opening Date or during the Term, and (ii) receive additional training after the Opening Date at a mutually-acceptable location, including at the Authorized Location. Franchisee understands and agrees that all training provided after the Opening Date shall be at mutually scheduled times and subject to space availability, payment of applicable tuition or training fees set forth in the JT Manual, and reimbursement of Company's actual travel expenses, including, without limitation, expenses for air and ground transportation, lodging, meals, and personal charges.

D. Continuing Training. Company may periodically offer continuing training programs at one or more locations that it shall designate and require attendance by any person whom Franchisee designates as a Certified Manager; provided, however, Company shall not require that more than 2 persons designated by Company complete more than 3 days of



continuing training during any 24-month period. Company shall not charge Franchisee any training fee or tuition to send 2 persons to up to 3 days of continuing training during any 24-month period. Franchisee shall be solely responsible for covering the personal expenses of its employees attending continuing and additional training programs, including transportation, lodging, food, salary and other personal charges.

E. Training in Connection with an Event of Transfer. In connection with any event of transfer, the proposed transferee must complete Company's then-current initial training requirements to Company's reasonable satisfaction. Franchisee or the proposed transferee shall be solely responsible for all personal expenses that the proposed transferee and its employees incur in connection with attending Basic Training and completing the initial training program. Company is not obligated to provide Opening Training in the Franchised Shop to the proposed transferee in connection with the transfer. Franchisee shall remain responsible for operation and management of the Franchised Shop until (i) the proposed transferee and its personnel complete Basic Training and demonstrate the requisite competency to operate and manage a Stand-Alone Jazen Tea® Shop in Company's sole discretion, and (ii) the proposed transferee qualifies at least one Certified Manager in accordance with Company's then-current certification requirements.

F. Additional Provisions. Franchisee understands and agrees that (i) it is solely responsible for all personal expenses that it and its employees incur by attending Basic Training and any and all continuing and subsequent training provided by Company, whether before or after the Opening Date, including, without limitation, costs for air and ground transportation, lodging, meals, personal expenses and salaries, and (ii) Company shall pay no compensation for any services performed by trainees during any training program provided by Company.

## VII. JAZEN TEA® MARKS

### A. Ownership.

1. Franchisee understands and agrees that, as between the parties, Company or Company's Affiliates own the Jazen Tea® Marks and the Jazen Tea® System, and Franchisee owns no rights in the Jazen Tea® Marks or the Jazen Tea® System except for the license granted by this Agreement.

2. Franchisee agrees not to contest, or assist any other person to contest, the validity of Company's or Company's Affiliates' rights and interest in the Jazen Tea® Marks or the Jazen Tea® System, either during or after this Agreement terminates or expires.

### B. Use of Jazen Tea® Marks and Jazen Tea® System.

1. In operating the Franchised Shop, Franchisee shall (i) use only the Jazen Tea® Marks and elements of the Jazen Tea® System designated by Company and only in the manner authorized and permitted by Company; (ii) use the Jazen Tea® Marks only to operate the Franchised Shop and in connection with no other activities; (iii) display notices of trademark and service mark registrations in the exact manner that Company specifies; (iv) obtain fictitious or assumed name registrations as required by Applicable Laws; and (v) prominently post notices to customers, suppliers and others with whom Franchisee deals informing them that Franchisee is the independent owner of the Franchised Shop operating under a license from Company.

2. Franchisee shall not use any of the Jazen Tea® Marks or any part thereof: (i) in its corporate or legal name (if Franchisee is a Business Entity); (ii) in any email address or domain name except as permitted by Company, (iii) with any prefix, suffix or other modifying words, terms, designs, colors or symbols; (iv) in any modified form; (v) in connection with the sale of any unauthorized products or services; (vi) in any manner not expressly authorized in writing by Company; or (vii) in any manner that may result in Company's liability for Franchisee's debts or obligations.

3. Company reserves the right to: (i) modify or discontinue licensing any of the Jazen Tea® Marks; (ii) add new names, marks, designs, logos or commercial symbols to the Jazen Tea® Marks and require that Franchisee use them; (iii) modify or discontinue practices or requirements incorporated within the scope of the Jazen Tea® System as of the Effective Date; and (iv) require that Franchisee introduce or observe new practices as part of the Jazen Tea® System in operating the Franchised Shop. Franchisee understands and agrees that (x) the term "Jazen Tea® Marks" means the specific names, marks, designs, logos or commercial symbols licensed by Company at any given point in time during the Term or Renewal Term (if any), and (y) the term "Jazen Tea® System" means the business methods that encompass all aspects of developing, operating and marketing Stand-Alone Jazen Tea® Shops subject, in each case, to Company's right to impose changes. Franchisee shall comply, at Franchisee's sole expense, with Company's directions regarding changes in the Jazen Tea® Marks and Jazen Tea® System within a reasonable time after written notice from Company. Company shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with Company's directions and conforming to required changes.

4. Franchisee understands and agrees that any unauthorized use of the Jazen Tea® Marks or the Jazen Tea® System by Franchisee shall constitute both a breach of this Agreement and an infringement of Company's intellectual property rights.

#### C. Defense of Jazen Tea® Marks and Jazen Tea® System.

1. Company shall have the sole right to handle disputes with third parties concerning Company's or Company's Affiliates' ownership of, rights in, or Franchisee's use of, the Jazen Tea® Marks or the Jazen Tea® System.

2. Franchisee shall immediately notify Company in writing if Franchisee receives notice, or is informed, of any: (i) improper use of any of the Jazen Tea® Marks or elements of the Jazen Tea® System; (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's judgment, may be confusingly similar to any of the Jazen Tea® Marks; (iii) use by any third party of any business practice which, in Franchisee's judgment, unfairly simulates the Jazen Tea® System in a manner likely to confuse or deceive the public; or (iv) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee's use of the Jazen Tea® Marks or the Jazen Tea® System. A legal proceeding, demand or threat encompassing the subject matters described in (i), (ii), (iii) and (iv) is collectively referred to as a "Third-Party Claim."

3. Company shall have sole discretion to take such action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of a Third-Party Claim.

4. Franchisee shall not settle or compromise any Third-Party Claim and agrees to be bound by Company's decisions over how to handle the Third-Party Claim.

Franchisee shall cooperate fully with Company and execute such documents and perform such actions as may, in Company's judgment, be necessary, appropriate or advisable in the defense of a Third-Party Claim and to protect and maintain Company's and Company's Affiliates' rights in the Jazen Tea® Marks and the Jazen Tea® System.

5. Unless it is established that a Third-Party Claim asserted against Franchisee is based, directly or indirectly, upon Franchisee's misuse of the Jazen Tea® Marks or the Jazen Tea® System, Company agrees to defend Franchisee against the Third-Party Claim, provided Franchisee has notified Company immediately after learning of the Third-Party Claim and fully cooperates in the defense of the Third-Party Claim. Because Company will defend the Third-Party Claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Notwithstanding Company's agreement to defend Franchisee under the conditions stated in this paragraph, Franchisee understands and agrees that Company is not liable to indemnify or reimburse Franchisee for any liability, costs, expenses, damages or losses that Franchisee may sustain as a result of the Third-Party Claim. Franchisee, on behalf of itself and each Covered Person, hereby waives any claim against Company, Company's Affiliates, and their respective officers, directors, shareholders, employees and agents based on Third-Party Claims involving the Jazen Tea® System or the Jazen Tea® Marks, including, without limitation, for lost profits or consequential damages of any kind.

#### VIII. JT MANUAL

A. Use. In connection with the Franchised Shop, Franchisee has the right to use the JT Manual for as long as this Agreement is in effect subject to the terms of this Agreement. The following conditions apply to Franchisee's use of the JT Manual:

1. The JT Manual is, and at all times shall remain, Company's sole property. Upon expiration, termination or an assignment of this Agreement, Franchisee will cease using or accessing the JT Manual and, in accordance with Company's instructions, either promptly destroy or return to Company any physical copy or copies of the JT Manual in Franchisee's possession.

2. Franchisee shall treat all information contained in the JT Manual as confidential, and shall use all reasonable efforts to keep the information secret. Franchisee shall not, without Company's prior written consent, copy, duplicate, record or otherwise reproduce the JT Manual, in whole or in part, or otherwise loan or make it available to any person not required to have access to its contents in order to carry out his or her employment functions.

3. If Company furnishes the JT Manual to Franchisee in electronic form, Franchisee will not share Franchisee's password or other login information necessary to access the electronic version of the JT Manual or other information that Company maintains on any system-wide intranet or private computer network maintained by Company for the benefit of all Franchisees. Franchisee will furthermore take steps to ensure that Franchisee's employees do not share their individual passwords or other login information with any other person. To the extent Franchisee or Franchisee's employees have a reason to print out or copy any part of the JT Manual, the copies must be kept on the premises at the Franchised Shop in a locked desk or file cabinet and Franchisee will only grant access to the key or lock combination of the desk or file cabinet to a Franchisee employee or other person who is required to have access to the JT Manual in order to carry out his or her employment functions.

4. The JT Manual contains both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the Jazen Tea® System and Franchisee's obligations under this Agreement. The JT Manual, as modified by Company from time to time, is an integral part of this Agreement and all provisions now or hereafter contained in the JT Manual or otherwise communicated to Franchisee in writing are expressly incorporated in this Agreement by this reference and made a part hereof. Franchisee shall fully comply with all mandatory requirements now or hereafter included in the JT Manual, and understands and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination.

B. Updating. Company reserves the right to modify the JT Manual from time to time to reflect changes that it may implement in the mandatory and recommended specifications, standards and operating procedures of the Jazen Tea® System. All revisions will be reflected in written or electronic supplements to the JT Manual or in other written or electronic communications delivered to Franchisee, and each supplement or communication shall become effective upon receipt or on the later date specified in the writing. If updates are provided by "hard" copy (as opposed to electronically or in some comparable format), Franchisee shall insert any updated pages in its copy of the JT Manual upon receipt and remove superseded pages and return them to Company within 5 days following receipt. Franchisee shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Company.

C. Lost or Destroyed JT Manual. Franchisee shall promptly notify Company if any volume or part of its copy of the JT Manual is lost or destroyed for any reason. Provided (i) the loss is not the result of Franchisee's breach of its duty to keep the contents of the JT Manual confidential, and (ii) Franchisee is not otherwise in default under this Agreement, Company shall furnish Franchisee with the needed replacement copy or portion of the current JT Manual. Franchisee shall pay Company a replacement JT Manual fee of \$250, per volume, plus all shipping expenses, in full within 10 days following receipt of invoice. If either (i) or (ii) is not satisfied, Company may terminate this Agreement on account of the loss or destruction of the JT Manual or any portion thereof.

## IX. CONFIDENTIAL INFORMATION

A. Limitations on Use of Confidential Information. Franchisee acknowledges that Company will disclose Confidential Information to Franchisee in furnishing Franchisee with the JT Manual, other written instructions and bulletins and otherwise through the performance of Company's obligations and the exercise of its rights under this Agreement. Franchisee shall acquire no interest in Confidential Information, other than a license to utilize it in the operation of the Franchised Shop subject to the terms of this Agreement.

1. Franchisee's use, publication or duplication of Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by Franchisee and, additionally, grounds for termination of this Agreement.

2. Pursuant to this Agreement, Franchisee shall deliver to Company a separate Confidentiality, Non-Disclosure and Non-Competition Agreement in the form required by Company, executed by Franchisee and by each person who is now, or during the Term becomes, a Covered Person.

3. Franchisee agrees to: (i) confine disclosure of Confidential Information to those of its employees and agents who require access in order to perform the functions for which they have been hired or retained; and (ii) observe and implement reasonable procedures prescribed from time to time by Company to prevent the unauthorized or inadvertent use, publication or disclosure of Confidential Information, including, without limitation, requiring that employees with access to Confidential Information, who are not otherwise required to sign a Confidentiality, Non-Disclosure and Non-Competition Agreement, execute Company's current form of Confidentiality, Non-Disclosure and Non-Competition Agreement with Franchisee. Upon request from Company, Franchisee shall deliver to Company a copy of each executed Confidentiality, Non-Disclosure and Non-Competition Agreement for its records.

4. Company may terminate this Agreement if Franchisee, or any person required by this Agreement to execute a Confidentiality, Non-Disclosure and Non-Competition Agreement with Company or Franchisee, breaches the Confidentiality, Non-Disclosure and Non-Competition Agreement.

5. All agreements contained in this Agreement pertaining to Confidential Information shall survive the expiration, termination or Franchisee's assignment of this Agreement.

6. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding if Franchisee has used its best efforts and given Company a reasonable opportunity to obtain appropriate protective orders or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed.

B. Extraordinary Relief. Franchisee understands and agrees that Company and Company's Affiliates will suffer irreparable injury not capable of precise measurement in money damages if any Confidential Information is obtained by any person, firm or corporation and is used to compete with Company or another Stand-Alone Jazen Tea® Shop Franchisee, Stand-Alone Phở Hòa® Restaurant Franchisee, or Co-Branded Phở Hòa® Restaurant Franchisee or otherwise in a manner adverse to Company's or Company's Affiliates' interest. Accordingly, in the event of a breach of any provision regarding use of Confidential Information, Franchisee, on behalf of itself and each person signing a Confidentiality, Non-Disclosure and Non-Competition Agreement, hereby consents to issuance or entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief that may be granted by a court having proper jurisdiction, without the requirement that Company or Company's Affiliates post bond or comparable security. Franchisee further agrees that (1) the award of injunctive relief or other equitable remedies to Company and Company's Affiliates for such a breach is reasonable and necessary to protect the goodwill of the Jazen Tea® System and the Jazen Tea® Marks and Company's and Company's Affiliates' legitimate business interests; and (2) recovery of damages is not an adequate remedy if Franchisee or any Covered Person breaches any of the confidentiality provisions in this Agreement or any Confidentiality, Non-Disclosure and Non-Competition Agreement.

C. Assignment of Copyrights.

1. Franchisee and Company acknowledge that, during the Term, Company may authorize Franchisee to use certain works in operating the Franchised Shop for which Company or Company's Affiliates own a copyright, or own a license to use a copyrighted work granted by a third party (collectively referred to as the "Copyrighted Works"); that the

Copyrighted Works are, and shall remain, valuable property of Company and Company's Affiliates; and Franchisee shall acquire no interest in the Copyrighted Works, other than a license to use those Copyrighted Works that Company designates in the operation of the Franchised Shop subject to the terms of this Agreement.

2. Franchisee understands and agrees that the Copyrighted Works may include, without limitation, the JT Manual, advertising and promotional materials supplied by Company, proprietary software, and other categories of works eligible for protection under federal copyright laws that are created by, or for, Company or Company's Affiliates and are designated by Company for use in connection with operating a Stand-Alone Jazen Tea® Shop.

3. To the extent Franchisee creates, or arranges to have created for Franchisee's benefit, any improvement or work eligible for protection under federal copyright laws, Franchisee shall execute, or have the creator execute, all documents necessary to assign all intellectual property and ownership rights, including, without limitation, all copyrights, to Company. Franchisee understands and agrees that the consideration for the assignment is the award of the franchise to Franchisee.

4. Franchisee understands and agrees that nothing in this Agreement shall constitute or be construed as Company's consent to Franchisee modifying, or creating any derivative work based upon, any of the Copyrighted Works. Franchisee must obtain Company's prior written consent before modifying or creating, directly or indirectly, any type of derivative work based on any Copyrighted Works.

#### X. ADVERTISING

Recognizing the value of advertising and the importance of standardizing advertising to maximize goodwill in the Jazen Tea® Marks, enhance general consumer awareness of Stand-Alone Jazen Tea® Shops, and promote the Franchised Shop, Franchisee agrees as follows:

A. Grand Opening Promotion. Franchisee shall spend a minimum of \$2,000 on grand opening promotional activities consisting of Local Advertisements that publicize the opening of the Franchised Shop and related promotional activities designed to develop consumer awareness of the Franchised Shop. Company shall count towards this minimum obligation the sums that Franchisee documents that it spends for Local Advertisements and promotional activities before, and within 30 days after, the Opening Date that publicize the Franchised Shop, including, without limitation, Franchisee's actual costs for any free give-away gifts to customers, but excluding Franchisee's normal operating expenses, including, without limitation, general and administrative expenses and food costs or the value of any price discounts offered to the public. Franchisee shall substantiate its grand opening advertising expenditures upon request. Franchisee shall comply with the requirements set forth in this Agreement and the JT Manual for obtaining Company's prior written consent to the use of materials that constitute Local Advertisements. Company shall offer Franchisee specific advice and advertising strategies for Franchisee's grand opening advertising program.

#### B. Local Advertisements.

1. Starting with the first full Calendar Month after the Opening Date, Franchisee shall spend a minimum of \$250 on Local Advertisements each Calendar Month during the Term; provided, however, Company may increase the minimum \$250 obligation by up to \$25/Calendar Month effective on January 1 of each Calendar Year during the Term,

starting with the first Calendar Year after the Opening Date. Franchisee shall be entitled to carry forward any over-expenditures in a particular Calendar Month to future Calendar Months. Upon request, Franchisee shall submit a report substantiating expenditures on Local Advertisements in compliance with this Agreement.

2. Franchisee shall comply with the written guidelines for Local Advertisements set forth in the JT Manual. Franchisee shall not use, disseminate, broadcast or publish any Local Advertisements in any media channel (whether print, broadcast, electronic or digital, including, but not limited to, third-party websites and social media websites), without first obtaining Company's written approval of the copy, proposed media, method of distribution and marketing plan for the proposed Local Advertisements. To apply for Company's approval of a proposed Local Advertisement, Franchisee shall submit a true and correct copy, sample or transcript of the proposed Local Advertisement, together with a written business plan that explains the proposed media plan, promotional event or other intended use of the proposed Local Advertisement. Company shall have 20 days from the date of receipt in which to approve or disapprove of the submitted materials for the intended use. If written approval is not received by the end of 20 days, Company shall be deemed to have rejected the proposed Local Advertisement. If written approval is given on or before the end of 20 days, Franchisee may use the proposed Local Advertisement, but only in the exact form and manner submitted to Company.

3. Franchisee shall have the right to determine the prices at which Franchisee sells all authorized products and services. Submission of a proposed Local Advertisement to Company for approval shall not be for purposes of allowing Company to approve Franchisee's prices, over which Company shall have no control.

4. At Franchisee's expense, Franchisee shall immediately remove from circulation and cease using any previously approved Local Advertisement if Company determines, in its sole discretion, that continued circulation or use may, or will, damage the integrity or reputation of the Jazen Tea® Marks, is otherwise necessary to protect the goodwill of the Jazen Tea® System and Company's and Company's Affiliates' reasonable business interests, or otherwise violates this Agreement.

5. Franchisee shall display in the Authorized Location any promotional materials related to any Company chain-wide advertising campaigns; provided, however, that nothing herein shall require Franchisee to participate in any future price-point campaign promoted by Company, it being understood that Franchisee shall at all times be free to establish its own prices.

C. Jazen Tea® Marketing Fund.

1. Company shall use the Jazen Tea® Marketing Fund ("Jazen Tea® Marketing Fund") to underwrite expenses associated with the creation, development and publication of advertising and promotional programs designed to enhance consumer awareness and the identity of the Jazen Tea® Marks and administer the Jazen Tea® Marketing Fund for the benefit of all Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants.

2. Franchisee understands and agrees that the Jazen Tea® Marketing Fund is not a trust and Company does not owe Franchisee a fiduciary duty based on Company's authority to administer the Jazen Tea® Marketing Fund or otherwise.

3. Beginning on and after the Opening Date, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Marketing Fee equal to 2% of Gross Sales (the "Marketing Fee"), which shall be due and payable for the same period and on the same date as the Royalty Fee. Payment shall be by check or by such other method, including automatic bank debit, as Company may from time to time direct.

4. Company shall also deposit all Jazen Tea® Marketing Fees that Company collects from Stand-Alone Jazen Tea® Shop Franchisees and Co-Branding Franchisees into the Jazen Tea® Marketing Fund, and maintain the Jazen Tea® Marketing Fund in a separate bank account segregated from the Company's other funds and from any Marketing Fund that Company maintains for the benefit of Phở Hòa® Restaurant Franchisees and Stand-Alone Phở Hòa® Restaurants.

5. Company shall use the Jazen Tea® Marketing Fund to meet the costs of maintaining, administering, directing and preparing advertising and marketing programs, public relations and market research for the benefit of all Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants regardless of their location or owner. Company will not be restricted with respect to what, where and how the Jazen Tea® Marketing Fund will be applied for these purposes. Company will retain sole discretion over the form, content, time, location, market and choice of media and markets for all advertising and promotion paid for from the Jazen Tea® Marketing Fund proceeds. Without limiting the scope of Company's general authority and sole discretion, Company may use the Jazen Tea® Marketing Fund to pay for the cost to (i) create, prepare and produce advertising and promotional formats, materials and samples, including, without limitation, point of sale materials, advertising slicks and copy, promotional graphics, brochures, mailers, and gift certificate coupons; (ii) administer local, regional and national advertising programs, including buying media space or time, outdoor advertising art and space, direct mail lists, and electronic listings in white and yellow page web sites; (iii) maintain Company's World Wide Web site; (iv) employ advertising, public relations and media buying agencies; (v) support public relations, market and consumer research; (vi) pay subscription fees for software allowing Company remotely to modify all digital menus in Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants; and (vii) pay expenses directly associated with maintaining and administering the Jazen Tea® Marketing Fund, including, without limitation, the cost to prepare annual accountings, expenses to collect Jazen Tea® Marketing Fees from delinquent franchisees, and the cost of conducting the Annual Meeting if Company elects to hold one. The following additional conditions apply to the Jazen Tea® Marketing Fund if Company decides to create one:

a. Company makes no representation that any amount of the Jazen Tea® Marketing Fund will be spent in any given geographic region or area, that monies will be spent on advertising or promotion that is national in scope, or that monies will be spent in Franchisee's market area in proportion to Franchisee's contributions to the Jazen Tea® Marketing Fund.

b. Company may (i) collect rebates, credits or other payments from suppliers based on purchases or sales by Franchisee, and (ii) condition its approval of a supplier on the supplier's willingness to agree to make such payments to Company or Company's Affiliates on account of Franchisee's purchases. Company shall have sole discretion to refund any supplier payments to Franchisee, contribute the supplier payments to the Jazen Tea® Marketing Fund, or retain the supplier payments for Company's own use regardless of any designation given to the payments by the supplier. If Company elects to



contribute a payment to the Jazen Tea® Marketing Fund, the contribution shall not reduce Franchisee's obligation for Jazen Tea® Marketing Fees.

c. As long as Franchisee is not in default under this Agreement, Company shall make marketing, advertising and promotional formats and sample materials created by the Jazen Tea® Marketing Fund available to Franchisee with, or without, additional reasonable charge, in Company's sole discretion; provided, however, Company's pricing policies shall apply to all Stand-Alone Jazen Tea® Shop Franchisees and all Co-Branded Phở Hòa® Restaurant Franchisees with respect to their sale of Jazen Tea® Menu Items. Franchisee shall be solely responsible for all costs to reproduce the formats and materials for its own use and distribution. In connection with reproduction and use of formats and materials created by the Jazen Tea® Marketing Fund, Franchisee shall observe Company's requirements with respect to protecting Confidential Information and Company's rights in the Jazen Tea® Marks.

d. Company will prepare an annual accounting of the Jazen Tea® Marketing Fund, and will furnish a copy of it to Franchisee upon request. While Company will attempt to expend Jazen Tea® Marketing Fund collections on a current basis, it may recover over-expenditures from subsequent years and may carry forward under-expenditures. Company may reimburse itself for internal expenses that it and its Affiliates incur directly associated with maintaining and administering the Jazen Tea® Marketing Fund, including, without limitation, expenses to collect contributions and general operating expenses (such as for rent and salaries in proportion to time devoted to Jazen Tea® Marketing Fund matters) and for attorneys' fees and other costs related to claims by, or against, the Jazen Tea® Marketing Fund.

e. Company may, but is not obligated to, loan money to the Jazen Tea® Marketing Fund in the event desired expenditures for any period exceed the balance in the Jazen Tea® Marketing Fund. Any funds loaned to the Jazen Tea® Marketing Fund will be repayable upon demand when funds are available and bear interest at no more than 2 points over the then-current prime lending rate of Bank of America, its successor, or, if no longer in operation, another national banking institution with headquarters in the United States.

f. The Marketing Fund, will be of perpetual duration, Company reserves the right to terminate the Jazen Tea® Marketing Fund at any time. If there is a balance in the Jazen Tea® Marketing Fund after payment of final expenses when Company terminates the Jazen Tea® Marketing Fund, Company shall refund the remaining balance to the franchisees who paid Jazen Tea® Marketing Fees before Company announced the Jazen Tea® Marketing Fund's termination in proportion to the amount of each franchisee's payment. Company shall determine the allocation of any refund in its sole discretion. Company may reinstate the Jazen Tea® Marketing Fund on the terms and conditions stated in this Agreement effective upon no less than 30 days' written notice to Franchisee.

g. For each Stand-Alone Jazen Tea® Shop that Company or Company's Affiliates own, Company or Company's Affiliates shall contribute to the Jazen Tea® Marketing Fund on the terms and in an amount equal to the then-current rate of contribution set forth in Company's then-current Franchise Disclosure Document for the sale of new franchises. During any time when Company does not have a current Franchise Disclosure Document and administers the Jazen Tea® Marketing Fund, Company shall make contributions to the Jazen Tea® Marketing Fund on the terms and at the rate in Company's last Franchise Disclosure Document.

## XI. PAYMENTS

### A. Initial Franchise Fee.

1. In consideration of the franchise and license granted to Franchisee, Franchisee shall pay to Company in full upon execution of this Agreement an initial franchise fee (the "Initial Franchise Fee") in the sum of \$15,000, less any deposit paid by Franchisee to Company before the date of this Agreement.

2. The Initial Franchise Fee is fully earned when paid and not refundable under any circumstance except as set forth in Section III.D of this Agreement.

B. If Company's Franchise Disclosure Document delivered to Franchisee in connection with the sale of this franchise disclosed that Company will discount the Initial Franchise Fee when an existing franchisee purchases a second or subsequent franchise and if Franchisee qualifies for the discount, Company will adjust the Initial Franchise Fee to conform with Company's Franchise Disclosure Document.

C. Royalty Fee. In consideration of the franchise and license awarded to Franchisee, beginning on the Opening Date and for the remainder of the Term, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Royalty Fee equal to 4% of the aggregate Gross Sales of the Franchised Restaurant. Until further notice, the Royalty Fee shall be due and payable monthly on or before the 10<sup>th</sup> day of each Calendar Month based upon the aggregate Gross Sales of the Franchised Restaurant for the prior Calendar Month.

D. Method of Payment of Other Fees. Marketing Fees shall be due and payable in the same manner and for the same period as Royalty Fees. All other payments required to be made to Company or Company's Affiliates pursuant to this Agreement shall be due and payable on the date indicated in this Agreement and in the same manner as the Royalty Fee. Company may change the accounting period for paying and reporting Royalty Fees, Marketing Fees and other fees under this Agreement on no less than 14 days written notice. For example, instead of paying Royalty Fees and Marketing Fees on a monthly basis, Company may designate weekly payments. Additionally, upon 14 days written notice, Company may require that payment be accomplished following Company's automated clearing house procedures described in the Manual, which may include payment by automatic direct debit or an equivalent system that eliminates delay in crediting Company's bank account with payment.

E. Security Deposit. On or before the Opening Date, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Security Deposit of \$3,000. Franchisee understands and agrees that Company may charge the Security Deposit at any time, without prior written notice to Franchisee, if Franchisee fails to pay Royalty Fees, Jazen Tea® Marketing Fees, or any other payments (including late charges) due to Company under this Agreement or due to any of Company's Affiliates for products or services. By charging the Security Deposit, Company shall not waive any of its rights or remedies under this Agreement or Applicable Laws, including, without limitation, the right to collect late charges. Company shall notify Franchisee after debiting the Security Deposit and Franchisee shall have 15 days after receipt of Company's notice to restore the Security Deposit to the full amount.

F. Late Charges. If Franchisee fails to pay any amount due to Company under this Agreement by the date payment is due, Franchisee shall additionally be obligated to pay, as a late charge, an amount equal to the product of the total amount past due multiplied by 1.5% per

month (or the maximum legal rate of interest then permitted under Applicable Laws) calculated starting on the date payment was due and continuing until the entire sum and late charge is paid in full.

G. No Waiver. Franchisee understands and agrees that the provisions of this Section XI regarding late charges and the Security Deposit do not constitute an agreement by Company to accept any payment after the date payment is due or a commitment by Company to extend credit to, or otherwise finance, the Franchised Shop, and that Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement notwithstanding this provision.

H. Non-Compliance Fees.

1. Company may impose specific Non-Compliance Fees if Franchisee fails to meet certain performance standards (collectively, the "Performance Standards"). Franchisee acknowledges that the Franchise Disclosure Document identifies the Performance Standards and Non-Compliance Fees in effect as of the Effective Date of this Agreement. These Performance Standards and Non-Compliance Fees are set forth in the Manual, which this Agreement incorporates by reference. During the Term, Company may expand the Performance Standards through updates to the Manual to address other areas of non-compliance with the Jazen Tea® System; this shall result in the obligation to pay a Non-Compliance Fee for each new Performance Standard default that does not exceed the then highest individual Non-Compliance Fee in effect for any Performance Standard.

2. Franchisee understands that Performance Standards articulate minimum requirements for certain aspects of the Jazen Tea® System in order to protect the integrity and reputation of the Marks. The goal of imposing Non-Compliance Fees is to provide Franchisee with an incentive to maintain best practices at all times in operating the Franchised Restaurant and steadfast adherence to the Jazen Tea® System requirements in performing its duties under this Agreement.

3. The decision to impose Non-Compliance Fees does not limit or waive Company's right to terminate Franchisee based on Franchisee's Performance Standard default. Nothing in this Agreement requires that Company impose Non-Compliance Fees for a Performance Standard default in lieu of serving Franchisee with a notice of default or terminating this Agreement based on that default. Company may impose Non-Compliance Fees either by serving Franchisee with (i) a citation notice ("Citation Notice") that specifies the specific Performance Standard default and the applicable Non-Compliance Fee payable as part of the duty to correct the default; or (ii) a notice of default that also specifies the specific Performance Standard default and Non-Compliance Fees payable, but also states that, if the default is not timely cured, Company may terminate this Agreement. By issuing a Citation Notice and not a notice of default, Company agrees to accept Franchisee's timely payment of the applicable Non-Compliance Fee as Company's sole remedy and not issue a notice of default or pursue termination of the Franchise Agreement based on the Performance Standard default described in the Citation Notice. If Company issues a Citation Notice for a particular Performance Standard default, nothing in this Agreement limits or waives Company's right to issue a notice of default with respect to the next Performance Standard default, whether or not the next default pertains to the same or different Performance Standard.

4. Non-Compliance Fees are due and payable in full without offset on or before the date indicated in the Citation Notice or notice of default.

5. Franchisee is solely responsible for implementing procedures and training and supervising its employees to comply with all Performance Standards. If at any time Franchisee is unsure about Company's expectations in measuring compliance with a Performance Standard, Franchisee is responsible for seeking advice from Company.

6. Company may increase Non-Compliance Fees annually by an amount not to exceed 10% on January 1 of each year during the Term over the prior year's Non-Compliance Fee.

7. If more than one Performance Standard default takes place, Company may issue a separate Citation Notice or notice of default per Performance Standard default.

I. Application of Fees. Notwithstanding any designation given to a payment by Franchisee, Company shall have sole discretion to apply any payments from Franchisee to any past due indebtedness owed to Company or Company's Affiliates in the amounts and order as Company shall determine.

J. Gross Receipts or Equivalent Taxes. Franchisee shall pay to Company the amount of any state or local sales, use, gross receipts, or similar tax that Company may be required to pay on payments which Franchisee makes to Company under this Agreement, regardless of whether the state or local tax is imposed directly on Company, is required to be withheld by Franchisee from amounts due to Company under this Agreement, or is otherwise required to be collected by Franchisee from Company. Franchisee's obligation under this Section XI shall not be reduced or offset by any type of claim, credit or deduction of any kind. This provision shall not apply to income taxes or comparable taxes measured by income to which Company may be subject.

## XII. ACCOUNTING AND RECORDS

### A. Maintenance of Business Records.

1. During the Term, Franchisee shall maintain full, complete and accurate business records in accordance with the standards stated in the JT Manual or otherwise prescribed by Company in writing.

2. Franchisee shall keep all business records and required business equipment and business software systems together at the place where notices to Franchisee are required to be sent, unless Company grants Franchisee permission to keep its business records elsewhere.

3. All business records that this Agreement requires Franchisee to maintain shall be retained by Franchisee for a minimum of 7 years during, and following, the expiration, termination, or Franchisee's assignment of this Agreement.

### B. Reports.

1. After the Opening Date, Franchisee shall submit to Company periodic financial, operational and statistical reports and information as Company may require to enable Company to (i) provide Franchisee with consultation and advice in accordance with this Agreement; (ii) monitor Franchisee's performance under this Agreement, purchases, revenue, operating costs and expenses, and profitability; (iii) develop chain-wide statistics; (iv) develop

new operating procedures; (v) develop new Proprietary Products; and (vi) implement changes in the Jazen Tea® System to respond to competitive and marketplace changes. Without limiting the types of reports that Company may require, Franchisee shall prepare and submit the following financial reports in accordance with the accounting, recordkeeping and bookkeeping procedures and in the format prescribed in the JT Manual:

a. On or before the 10th day of each Calendar Month after the Opening Date, a profit and loss statement and balance sheet showing the results of operation during the prior Calendar Month just ended and cumulative information for the Calendar Year-to-date.

b. Within 45 days after the end of each Calendar Year during the Term, a profit and loss statement and balance sheet as of the last day of the Calendar Year.

2. Nothing herein shall prevent Company from electronically polling the Franchised Shop's bank accounts and other financial and operating records daily, or more frequently, by electronic or other remote means and Franchisee hereby grants Company authority to do so. Franchisee shall observe the mandatory requirements set forth in the JT Manual to enable Company's remote access to Franchisee's bank and operating records.

3. Franchisee shall comply with Company's requests for additional information. This obligation includes, without limitation, (i) supplying Company with a copy of all sales and income tax returns relating to the Franchised Shop at the time Franchisee files them with governmental authorities, and (ii) complying with Company's inventory control procedures to enable Company to evaluate food and beverage costs and other operational issues.

4. Franchisee certifies that all reports, forms, records, information and data that Franchisee is required to maintain or submit, or voluntarily maintains or submits, or directs a third party to maintain or submit on its behalf, to Company, will be true and correct and not omit material facts that are necessary in order to make the information disclosed not misleading.

C. Recording of Transactions. Franchisee shall track and record all transactions with customers of the Franchised Shop utilizing the computer and cash control systems prescribed by Company in the JT Manual. Franchisee shall utilize the specific proprietary or non-proprietary business computer systems and software programs that Company designates to record point-of-sale transactions, prepare operating reports, fulfill accounting, recordkeeping and bookkeeping duties, and perform similar functions in accordance with the requirements of the JT Manual. All of the foregoing equipment and software shall be purchased or licensed and maintained by Franchisee at its sole expense and shall at all times conform to Company's specifications, which Company may modify in its discretion from time to time.

D. Audit Rights.

1. Company and its representatives shall have full access to examine, audit and copy Franchisee's business records relating to the Franchised Shop, including Franchisee's federal and state income tax returns and sales tax returns, and bank statements (including deposit slips and canceled checks), stored on Franchisee's computer terminal, point-of-sale systems or on disk, and any other documents and information that Company reasonably requests in order to verify the business activities of the Franchised Shop and other information reported to Company.

2. Company may conduct its examination and audit in Franchisee's business office where the records are kept or request that copies of documents be made by Franchisee and sent to Company or to its representatives for examination and audit at a location that Company specifies. Franchisee understands and agrees that Company or its representatives may also access Franchisee's business records kept on disk or stored on Franchisee's computer terminals at any time, without notice, by remote electronic means and shall cooperate with the examination by enabling electronic and remote connections. Additionally, Company may, at its expense, have an audit made at any time of Franchisee's business records by an independent certified public accountant chosen by Company. Company may terminate this Agreement if Company discovers that Franchisee has reported false information above the Franchised Shop to Company.

3. If any examination or audit conducted by Company reveals any understatement in the Gross Sales or other false information reported by Franchisee to Company, then Franchisee shall, within 10 days after notice from Company, pay to Company any additional Royalty Fees and Marketing Fees that are owed, together with interest and late charges as provided in this Agreement. Additionally, Company may require that, until further notice from Company, all future reports and financial statements submitted by Franchisee pursuant to this Agreement be prepared by an independent certified public accountant acceptable to Company.

4. If Company discovers that Franchisee has underreported Gross Sales by an amount that is 2% or more of the actual Gross Sales for the period, Franchisee shall also pay and reimburse Company for all expenses that Company incurs connected with Company's examination and audit, including, but not limited to, Company's accounting and legal fees and travel expenses.

5. If 2 or more audits or examinations of Franchisee's business records conducted within any 24 Calendar Month period disclose that Franchisee has underreported Gross Sales by an amount that is 2% or more of the actual Gross Sales for the period, then the second understatement shall be conclusively presumed to have been intentional for purposes of this Agreement. In addition to the consequences identified in this Agreement arising because of the understatement, Company may terminate this Agreement upon discovery of the second understatement based upon Franchisee's intentional underreporting of Gross Sales.

#### E. Electronic Payment Systems.

1. Upon 14 days' written notice from Company, all required payments to Company and Company's Affiliates must be made through a designated payment system using pre-authorized transfers from Franchisee's operating account through the use of electronic fund transfers, or, if Company requests, by special checks or other payment systems that it designates. Franchisee shall give its financial institution instructions in a form provided or approved by Company and obtain the financial institution's agreement to follow the instructions to effectuate the electronic payment system meeting Company's requirements. Without Company's prior written consent, the financial institution's agreement may not be withdrawn, modified or cancelled. Franchisee must also execute any other documents or agreements relating to establishing or maintaining an electronic payment system as Company or the financial institution may reasonably request from time to time.

2. Franchisee shall deposit all revenue from the Franchised Shop into the operating account accessed by the electronic payment system within one Business Day after receipt. Franchisee shall maintain sufficient funds in the designated operating accounts to

ensure full payment of continuing Royalty Fees, Jazen Tea® Marketing Fees (if any) and payment of all other obligations to Company, Company's Affiliates and third parties when due. In the event a payment cannot be made due to insufficient funds in Franchisee's operating account, Company may, in its sole discretion or election, declare a breach of this Agreement or require that Franchisee direct its financial institution to send Company a monthly or periodic statement showing all account activity at the same time that it sends such statements to Franchisee or give Company electronic access to Franchisee's account activity if the financial institution makes electronic access available to its account holders.

3. Franchisee shall be responsible for all fees charged by its bank to establish and/or set up an electronic fund payment system meeting Company's requirements and for all fees and charges resulting from insufficient funds being in Franchisee's bank accounts at the time funds are withdrawn to pay obligations owed to Company or Company's Affiliates.

4. The duty to maintain an electronic payment system shall not change the date on which payments are due under this Agreement.

### **XIII. STANDARDS OF QUALITY AND PERFORMANCE**

A. Strict and Punctual Performance. Franchisee understands and agrees that its strict and punctual performance of all obligations set forth in this Agreement, the JT Manual or otherwise communicated to Franchisee in writing is a condition of the franchise granted to Franchisee. Without limiting the scope of Franchisee's duties, Franchisee's failure to abide by Company's standards of quality and performance shall not only constitute a breach of this Agreement, but infringement of the Jazen Tea® Marks.

#### **B. Proprietary Products.**

1. Franchisee shall (i) purchase, lease or license the particular Proprietary Products that Company designates from time to time and introduces into the Jazen Tea® System only from the suppliers that Company designates, which may include Company and Company's Affiliates, and (ii) use the Proprietary Products only in the manner that Company authorizes and for no other purpose. If Company or Company's Affiliate is designated as the supplier, Franchisee understands and agrees that Company and Company's Affiliate, as supplier, shall have sole discretion to establish and change prices and other terms of sale, shipment and delivery, which shall be stated on their invoice or purchase order forms, in the JT Manual or communicated to Franchisee by other means; provided, however, the prices that Franchisee shall pay shall be the same as the prices charged to similarly situated franchisees. Additionally, the parties agree that:

a. To the extent any Proprietary Products constitute ingredients incorporated into mandatory Jazen Tea® Menu Items or inventory sold to the public, Franchisee shall maintain sufficient quantities of the Proprietary Products in stock at the Authorized Location in order to meet reasonably anticipated consumer demand and avoid shortages.

b. Company may change the specifications, methods of use, formula, ingredients, designations, price and other features of any Proprietary Products, and add new products and delete existing products from the items that Company identifies as Proprietary Products, as frequently as Company deems necessary in its sole discretion. Franchisee shall conform to all changes promptly following written notice from Company unless

Company's written notice specifies a later implementation date. If Company withdraws its approval of any Proprietary Products that constitute inventory sold to the public, Company shall allow Franchisee a reasonable amount of time to deplete its existing inventory to avoid waste. Nothing in this Agreement shall obligate Company to reveal the specifications, formulas or recipes of any Proprietary Products or raw materials or ingredients used to formulate or prepare Proprietary Products or information regarding Company's relationship with third-party suppliers of Proprietary Products or raw materials or ingredients, all of which Franchisee understands and agrees constitute Confidential Information.

c. Company may withdraw its designation of a particular item as a Proprietary Product at any time if Company, in its sole discretion, determines that doing so is in the best interests of Company or the Jazen Tea® System. Revocation shall be effective immediately upon written notice or by the date specified in Company's written notice.

2. Neither Company nor Company's Affiliates shall be liable to Franchisee for delays or shortages in the supply of Proprietary Products that they elect to sell, lease or license to Franchisee due to causes beyond their control.

3. Franchisee understands and agrees that Company's designation of a particular third-party supplier from whom Franchisee must purchase, lease or license a specified Proprietary Product does not constitute a representation or warranty of the supplier's ability to meet Franchisee's requirements nor of the fitness or merchantability of the Proprietary Products sold, leased or licensed by the supplier. Franchisee understands and agrees that its sole remedy in the event of any shortages, delays or defects in the Proprietary Products purchased, sold or leased from a designated third-party supplier shall be against the supplier, not Company or Company's Affiliates.

#### C. Non-Proprietary Products; Alternative Suppliers.

1. Company shall designate all Non-Proprietary Products that Franchisee may, or must, use, offer, sell or promote in operating the Franchised Shop. If any Non-Proprietary Products constitute inventory sold to the public, or ingredients or raw materials used to prepare foods or beverages sold to the public, Franchisee shall maintain sufficient quantities of the Non-Proprietary Products in stock at the Authorized Location in order to meet reasonably anticipated consumer demand.

2. Franchisee may purchase or lease Non-Proprietary Products from any supplier of Franchisee's choosing capable of meeting Company's then-current specifications and quality standards and doing business in compliance with Applicable Laws.

3. All changes in the specifications for Non-Proprietary Products shall be communicated to Franchisee by written supplements to the JT Manual or otherwise in writing. Specification changes to Non-Proprietary Products may include replacing a Non-Proprietary Product with a Proprietary Product that performs or satisfies the same or similar function or purpose. Franchisee shall not place a new order for any Non-Proprietary Products with a supplier after receiving written notice of changes in the Non-Proprietary Products' specifications.

4. If Franchisee desires to offer for sale or use at the Franchised Shop any item that does not, at that time, meet Company's specifications for Non-Proprietary Products, Franchisee shall submit a written request to Company identifying the proposed item together with samples of the item for examination and/or testing so that Company may evaluate if the



item meets its specifications and quality standards. Company reserves the right to impose a testing fee not to exceed \$250 per alternative product to cover its direct costs to approve the proposed alternative product. Franchisee's payment of the testing fee shall be a condition to obtaining approval to offer for sale, or use, an item not previously approved by Company.

a. Company will notify Franchisee in writing within 30 days after all requested information is received, and required testing fee is paid, and inspection or testing is completed if it approves the proposed item. Company's failure to timely respond shall constitute its disapproval.

b. At any time, Company may revoke its approval of an item if Company, in its sole discretion, determines that doing so is in the best interests of Company or the Jazen Tea® System. Revocation shall be effective immediately upon written notice or by the date specified in Company's written notice; provided, however, that to the extent any Non-Proprietary Products that are revoked constitute inventory sold to the public, Company shall allow Franchisee a reasonable time to deplete its existing inventory, not to exceed 60 days. Following receipt of Company's written revocation notice, Franchisee shall not place any new orders for the particular Non-Proprietary Product that is the subject of the revocation notice.

5. Franchisee understands and agrees that Company may recommend suppliers of Non-Proprietary Products, but its recommendation does not constitute a representation or warranty of the supplier's ability to meet Franchisee's purchasing requirements nor of the fitness or merchantability of the Non-Proprietary Products sold by the supplier. Franchisee understands and agrees that its sole remedy in the event of any shortages, delays or defects in the Non-Proprietary Products purchased from a supplier that Company recommends shall be against the manufacturer or supplier of the Non-Proprietary Products, not against Company or Company's Affiliates.

D. Changes Due to Improvements in Technology or Changes in the Jazen Tea® System. Franchisee understands that changes that Company may make to the list of Proprietary Products, to recipes for mandatory Jazen Tea® Menu Items, or to any other mandatory aspect of the Jazen Tea® System, including, without limitation, the use of certain equipment or computer software, may require Franchisee to make significant capital expenditures during the Term in amounts that Company cannot forecast. Franchisee understands and agrees that Company has no ability to identify with specificity the nature of these future changes or their expected cost, but accepts the risk that changes will be imposed and agrees to adopt all changes in Company's specifications for mandatory components of the Jazen Tea® System at its sole expense.

E. Standards of Service.

1. Franchisee shall (i) offer for sale, and sell, only the specific foods, beverages and merchandise designated by Company; (ii) label and identify all items offered for sale by the specific name designation given to them by Company; (iii) use only the equipment, supplies, utensils, materials, signs, menu boards, and delivery systems prescribed by Company which shall conform to Company's current specifications and standards; (iv) adhere to Company's instructions for storing, handling, preparing, serving and delivering foods and beverages, including, without limitation, Company's recipes and specifications for weight, dimensions and other characteristics of consumable products, Company's requirements for food safety, and Company's specifications for reproducing the Proprietary Marks on containers, napkins and packaging; (v) adhere to Company's instructions regarding signs, lighting and

security; and (vi) operate the Franchised Shop in accordance with Company's inventory, restocking and customer service standards. All specifications shall be set forth in the JT Manual or otherwise communicated to Franchisee and may be revised by Company as frequently as Company deems necessary in its sole discretion to promote the Jazen Tea® System and respond to competitive and marketplace changes.

2. Franchisee understands that it must purchase its menus from Company on an as-needed basis at the then-current prices published in the Manual, but will set the prices for all menu items. Franchisee understands and agrees that Company's authorized menu boards may include, in Company's sole discretion, requirements concerning organization, graphics, product descriptions, illustrations and other design and content features. Company shall determine and control all design, appearance, descriptions, designations and content elements of the menu board other than the prices of Jazen Tea® Menu Items, which Franchisee may establish. Franchisee understands that Company may designate different menu boards and Jazen Tea® Menu Items depending on market size, geographic region, store size and other factors in Company's sole discretion; and Company may implement changes in Jazen Tea® Menu Items and menu boards and authorize tests and special promotions of new foods, beverages, Proprietary Products, Non-Proprietary Products, equipment and other merchandise at selected Stand-Alone Jazen Tea® Shops or Co-Branded Phở Hòa® Restaurants or within selected geographic regions, all in Company's sole discretion.

3. Franchisee shall, at its sole expense, conform to all changes implemented by Company immediately upon written notice from Company unless Company's written notice specifies a later implementation date. Franchisee shall not offer for sale or sell any other kind of products, merchandise or services, or otherwise deviate from Company's current operating standards or specifications for services, products or merchandise, except with Company's prior written consent.

4. All foods and beverages sold by Franchisee shall be of the highest quality and sold only in containers and with packaging and other materials approved by Company. Franchisee shall, upon request from Company, dispose of any and all food items that Company determines, in its sole discretion, should be discarded, including, but not limited to, items that are un-servable, outdated, discolored, or were stored at unsafe temperatures.

5. Franchisee may engage in delivery services to locations in the Territory by selecting an approved third-party delivery service provider that Company identifies in the Manual. Franchisee may not engage in delivery services to locations outside of the Territory or use any other delivery service provider without Company's prior written approval. If Company agrees to permit Franchisee to offer delivery services to locations outside of the Territory, Company may determine the boundaries of the delivery area. Company makes no representation that the delivery area outside of Franchisee's Territory that Company may assign to Franchisee will be as large as the delivery area that Company assigns to other franchisees.

6. Franchisee shall not install or maintain on the Authorized Location any newspaper racks, pay-to-play video games, juke boxes, other gaming machines, vending machines, ATM machines, rides or other similar devices except with Company's prior written approval.

7. Franchisee shall not display any "for-sale" signs or other words indicating or implying that the Franchised Shop is for sale or that Franchisee is seeking or desires any form or type of event of transfer as described in this Agreement.

8. Company may, from time to time, authorize Franchisee to test market specific menu items, recipes, products, services or promotional programs. Franchisee shall cooperate in test marketing programs and shall comply with Company's rules and regulations established in connection therewith, without reimbursement or compensation of any kind.

9. Franchisee shall pay its trade debts to suppliers and other vendors and lenders in a timely manner. Franchisee understands and agrees that its failure to do so could materially harm the reputation of the Jazen Tea® Marks and the ability of Company and other franchisees to obtain the same favorable purchase, lease or finance terms. If Franchisee has a bona fide dispute with any supplier or vendor that Franchisee believes justifies non-payment or partial payment, Franchisee must promptly notify the supplier or vendor of the particulars of its claim and diligently pursue resolution of the claim or prosecution of appropriate legal action. Any trade debt that remains unpaid for more than 30 days after the date it is due shall constitute a breach of this Agreement unless, before the end of the 30-day period (i) Franchisee and the supplier or vendor agree to alternative payment terms; or (ii) Franchisee initiates appropriate legal action to contest the trade debt.

F. POS System. Franchisee shall use and maintain the point-of-sale computer and cash collection system specified in the JT Manual or otherwise by Company in writing, which Company may update at any time, at Franchisee's sole expense. Franchisee may not modify the requirements or functionality of the point-of-sale computer and cash collection system or instruct any third party to modify it on Franchisee's behalf, and doing or attempting to do so shall be a breach of this Agreement. Franchisee shall maintain an electronic data exchange service designated by Company to enable Company to remotely retrieve sales, inventory and other operating data at any time as frequently as Company deems necessary. Franchisee may not disable or take any action that prevents Company from having remote access to this data.

G. Authorized Location and Tangible Property.

1. Franchisee shall, at its own expense, maintain the condition and appearance of the Authorized Location and all tangible property used to operate the Franchised Shop in the highest degree of cleanliness, orderliness and repair, consistent with the standards, specifications and requirements of the Jazen Tea® System and as Company may from time to time direct. Franchisee shall promptly replace any tangible property used to operate the Franchised Shop that becomes worn, damaged and non-repairable, or mechanically impaired to the extent that it no longer adequately performs the function for which it was originally intended. All replacement items shall be of the same type, model and quality then specified in the JT Manual at the time replacement is required.

2. Franchisee understands and agrees that its failure to repair or maintain the Authorized Location and the tangible property of the Franchised Shop in accordance with Company's standards shall constitute a breach of this Agreement. Without waiving its right to terminate this Agreement for such reason, Company may notify Franchisee in writing specifying the action to be taken by Franchisee to correct the deficiency. If Franchisee fails or refuses to initiate a bona fide program to complete any required repair, maintenance or corrective work within 30 days after receiving Company's written notice, Company shall have the right, in addition to all other remedies, to enter the Authorized Location and complete the required repair, maintenance or corrective work on Franchisee's behalf. Company shall have no liability to Franchisee for any work performed. To the extent Company elects to perform required repair, maintenance or corrective work, or to replace non-conforming property with conforming property, Franchisee shall be invoiced for labor and materials, plus a 25% service charge and

an amount sufficient to reimburse Company for Company's actual direct costs to supervise, perform and inspect the work and procure any replacement items, including, without limitation, labor, materials, transportation, lodging, meals, contractor fees and other direct expenses, all of which shall be due and payable upon receipt of the invoice.

3. Franchisee shall not alter or modify the Authorized Location or any of the tangible property used to operate the Franchised Shop in a manner contrary to Company's then-current standards.

4. In addition to maintaining the Authorized Location and tangible property in continuous good condition and repair in accordance with this Agreement, Franchisee shall, at its sole expense, periodically make reasonable capital expenditures to remodel, modernize and redecorate the Authorized Location so that the Franchised Shop at all times reflects the then-current image of the Jazen Tea® System. All remodeling, modernization or redecoration of the Authorized Location must be done in accordance with the standards and specifications that Company prescribes, subject to Company's right to modify those standards and specifications in its sole discretion.

H. Compliance with Laws. Franchisee shall at all times operate the Franchised Shop in strict compliance with all Applicable Laws. Franchisee shall secure and maintain in good standing, at its own expense, all necessary licenses, permits, deposits and certificates required to operate the Franchised Shop lawfully and shall provide Company with proof of compliance promptly following Company's request.

I. Credit Cards; Gift Cards, Loyalty Cards and Other System-Wide Marketing Programs.

1. Franchisee shall honor all credit cards designated by Company and enter into and maintain, at Franchisee's sole expense, all necessary credit card agreements with the issuers of designated cards.

2. Franchisee shall participate in, and abide by, the rules of all loyalty and gift card programs described in the Manual, as Company may revise these programs from time to time. Franchisee understands that Company may set up the loyalty and gift card program so that consumers may redeem the gift card at Stand-Alone Jazen Tea® Shops, Co-Branded Phở Hòa® Restaurants, or Stand-Alone Phở Hòa® Restaurants.

3. If Company is the exclusive seller of gift cards, Franchisee agrees to pay Company a 6% Gift Card Program Administrative Fee on the face value of gift cards that Franchisee buys from Company, which fee shall be all added to the transaction cost and paid at the time Franchisees buys gift cards from Company. Instead of selling gift cards, Company may designate a third-party vendor that will sell and administer the gift card program. In this case, Franchisee shall pay the third party's administrative fees, if any, in addition to the face amount of the gift cards that Franchisee purchases from the third party and understands that Company may derive revenue on account of Franchisee's gift card purchases from the designated third-party vendor.

4. Franchisee shall pay Company a Loyalty Card Administrative Fee of \$135 per month, due and payable together with Royalty Fees, which Company may increase by up to 10% per year on January 1 of each year during the Term over the prior year's rate.

5. Franchisee may not issue, redeem or otherwise authorize any other type of loyalty or gift card except for the specific loyalty or gift cards that Company designates.

6. Franchisee shall additionally participate in system-wide marketing programs identified by Company, including, without limitation, customer and marketing surveys, direct marketing programs and designated e-commerce programs; provided, however, nothing herein shall limit Franchisee's right to establish the resale price of products and services offered for sale at the Franchised Shop.

J. Complaints, Incident Reports and Other Actions. Franchisee shall promptly report to Company any incidents involving personal injury by customers of the Franchised Shop sustained at the Authorized Location. Franchisee shall submit to Company promptly upon receipt copies of all customer complaints and notices and communications received from any government agency relating to alleged violations of Applicable Laws and hereby authorizes the government agency to provide the same information directly to Company upon Company's request. Additionally, Franchisee shall promptly notify Company of any written threat, or the actual commencement, of any action, suit or proceeding against Franchisee or the Franchised Shop or involving the Authorized Location or the business assets that might adversely affect the operation or financial condition of the Franchised Shop, and provide Company with a copy of all relevant documents.

K. Hours of Operation. Franchisee shall operate the Franchised Shop on all of the days and during the hours prescribed in the JT Manual, unless Company's prior written approval of different days or hours is obtained or unless prohibited by the Lease. Before the Opening Date, Franchisee shall advise Company of the Franchised Shop's operating hours and promptly notify Company of any changes in its operating hours required by the Lease. Franchisee shall prominently disclose its operating hours to the public in the manner required by the JT Manual, and shall be open and fully prepared to conduct business during all posted operating hours.

L. Employees.

1. Franchisee shall employ or retain the services of a sufficient number of competent employees and cause each of them to receive appropriate training to perform their job in accordance with the standards and specifications of the Jazen Tea® System. All employees whose duties include customer service shall have sufficient literacy and fluency in the English language, in Company's judgment, to adequately serve the public. All employees, while working in the Franchised Shop, shall present a neat and clean appearance and wear the uniforms that Company designates for their jobs, in the color, style and design then specified by Company.

2. Employees of Franchisee or the Franchised Restaurant shall not in any way be deemed employees of Company and shall be under the exclusive direction and control of Franchisee. Franchisee is solely responsible for hiring, firing and establishing employment policies applicable to its employees and understands and agrees that this Agreement does not impose any controls, or otherwise impinge, on Franchisee's sole discretion with respect to the forgoing subject matters. All employment related documents, including employment applications, schedules, job descriptions, and payroll documents, must clearly identify Franchisee, and not Company, as the employer.

3. The Franchised Shop shall at all times be under the direct, personal supervision of one or more Certified Managers at all times during the Term. Due to the

possibility of personnel turn-over and to avoid being in breach of this Agreement in case of personnel changes, Company recommends that Franchisee employ at least 2 management-level supervisors at any time who each qualify as a Certified Manager. Franchisee shall be responsible for the acts and omissions of its employees and agents, including, without limitation, its Certified Managers.

#### XIV. COMPANY'S OPERATIONS ASSISTANCE

In addition to obligations stated elsewhere in this Agreement, and provided Franchisee is not in default under the terms of this Agreement, Company shall provide the following services:

A. Continuing Consultation and Advice. As and to the extent required in Company's judgment, Company shall provide:

1. Regular consultation and advice to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues that Franchisee brings to Company's attention. Company shall have sole discretion to determine the method for communicating the consultation or advice, which may differ from the methods used for other franchisees. For example, and without limitation, consultation and advice may be provided by telephone, in writing (in which case Company shall determine the method for delivering such writing (i.e., facsimile or mail)), electronically, in person, or by other means.

2. Upon Franchisee's request, Company may agree to provide on-site training and assistance at a mutually-scheduled time, provided Franchisee pays Company its then-current per diem fee set forth in the JT Manual, plus reimbursement of Company's reasonable expenses in providing on-site instruction, including, without limitation, expenses for air and ground transportation, lodging, meals, and personal charges.

B. Inspections. In addition to Company's audit rights described in this Agreement, Franchisee expressly authorizes Company and its representatives, at any reasonable time, and without prior notice to Franchisee, to enter the premises of the Authorized Location and conduct regular inspections of the Franchised Shop and Franchisee's methods of operation, including, without limitation, food preparation, storage and handling, observing and conducting discussions with Franchisee's employees, customer interaction, and reviewing Franchisee's books and records (including, without limitation, data stored on Franchisee's computer hard drive and disks) in order to verify compliance with this Agreement and the JT Manual. Company and its representatives reserve the right to select or request that Franchisee provide them, free of charge, with inventory, equipment, advertising and other samples for inspection and evaluation purposes to make certain that the items conform with Company's then-current standards. Franchisee shall cooperate fully with Company's inspections and promptly cure all deviations from Company's standards, specifications and operating procedures of which Franchisee is notified either orally or in writing. Franchisee, on behalf of itself and, as applicable, its directors, officers, managers, employees, consultants, representatives and agents, hereby waives any claim that Company's inspections or recordings violate any person's rights of privacy.

C. Continuing Training. Company may periodically conduct continuing training programs to address recently-implemented changes in the Jazen Tea® System and other topics of common interest to franchisees, including, without limitation, changes in Proprietary Products and Non-Proprietary Products, industry trends, customer relations, personnel administration, local advertising and promotional strategies, and competitive changes. If Company chooses to provide continuing training classes, Company will establish the content, location and length of

such programs. Company may require the attendance of Franchisee's Certified Manager or other designated personnel at particular continuing training classes, provided, however, Company shall not require that more than 2 persons designated by Company complete more than 3 days of continuing training during any 24-month period.

## XV. INSURANCE

A. Minimum Coverage. Before the Opening Date, Franchisee shall procure, at its own expense, and maintain in full force and effect during the Term, policies of insurance in accordance with the following terms and conditions:

1. Comprehensive general liability insurance, product liability, motor vehicle liability, bodily and personal injury/death, and property damage liability with minimum liability coverage of \$1,000,000 per occurrence and \$2,000,000 aggregate, combined single limit (including broad form contractual liability), or the higher amount required by the Lease, insuring Company and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or otherwise relating to the Franchised Shop or the activities of Franchisee's employees. The required liability coverage shall not be limited in any way by reason of any insurance that Company maintains. Company shall be named an additional insured on each liability policy.

2. Workers' compensation and employer's liability insurance, together with any other insurance at the minimum limits required by law or \$500,000 per accident, \$500,000 per disease, and \$500,000 policy limit, whichever is higher.

3. All "Risks" or "Special" form general casualty insurance coverage insurance, including, without limitation, fire and extended coverage, vandalism and malicious mischief insurance, for any vehicle that Franchisee uses in operating the Franchised Shop and for additional perils (including, without limitation, flood and earthquake coverage) if applicable to the area where the Franchised Shop is located, for the full replacement value of the Franchised Shop and its contents based on the cost of replacing the damaged or destroyed property with property meeting Company's current specifications at the time replacement is required. The minimum coverage shall be no less than the amount specified in the JT Manual on the Effective Date.

4. Any person that Franchisee hires as a general contractor or to perform comparable services at the Authorized Location must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and workers' compensation insurance in the minimum amount of \$1,000,000 plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.

5. Additional types and amounts of insurance coverage as may be required by the Lease, including coverage for all parties that the Lease requires be covered as additional insureds.

### B. Additional Insurance Specifications.

1. Company shall specify the deductible limits for each required insurance policy and may, from time to time, increase the minimum insurance requirements, establish and change deductible limits, require that Franchisee procure and maintain additional forms of

insurance, and otherwise modify the insurance requirements contained in this Agreement based upon inflation, general industry standards, Company's experience with claims, or for other commercially reasonable reasons. Franchisee shall comply with any change imposed by Company within 30 days after written notice from Company and shall submit written proof of compliance to Company upon request.

2. Each insurance policy required by this Agreement shall be written by insurance companies of recognized responsibility meeting the standards stated in the JT Manual. Before the Opening Date, or the earlier date specified in the Lease, and then not less than annually thereafter on or before January 1 of each Calendar Year after the Opening Date, Franchisee shall submit to Company certificates of insurance showing compliance with Company's insurance requirements. Franchisee shall not begin any work or installation of equipment in the Authorized Location pursuant to Franchisee's Design Plans until Franchisee submits proof of its general contractor's insurance required by this Agreement. All certificates of insurance shall state that the policy will not be canceled or altered without at least 30 days' prior written notice to Company. Maintenance of required insurance shall not relieve Franchisee of liability under the indemnity provisions set forth in this Agreement.

3. Company and any Affiliates that Company designates shall each be named as an additional insured on all required insurance.

4. Franchisee shall cause each policy of insurance required by this Agreement to include a waiver of subrogation, which shall provide that Franchisee, on the one hand, and Company and its Affiliates, on the other hand, each releases and relieves the other, and each waives its entire right to recover damages, in contract, tort and otherwise, against the other for any loss or damage occurring to Franchisee's property arising out of or resulting from any of the perils required to be insured against under this Agreement. The effect of these releases and waivers shall not be limited by the amount of insurance carried by Franchisee or as otherwise required by this Agreement or by any deductible applicable thereto.

5. Should Franchisee not procure or maintain the insurance required by this Agreement, Company may, without waiving its right to declare a breach of this Agreement based on the default, procure the required insurance coverage at Franchisee's expense, although Company has no obligation to do so. Franchisee shall pay Company an amount equal to the premiums and related costs for the required insurance in full upon receipt of invoice, plus a 25% service charge and an amount sufficient to reimburse Company for its actual direct costs in obtaining the required insurance.

6. Franchisee understands and agrees that the minimum insurance requirements set forth in this Agreement do not constitute a representation or warranty by Company that the minimum coverage and specified types of insurance will be sufficient for the Franchised Shop. Franchisee understands and agrees that it is solely responsible for determining if the Franchised Shop requires higher coverage limits or other types of insurance protection.

## **XVI. COVENANTS REGARDING OTHER BUSINESSES' INTERESTS**

### **A. Competition.**

1. During the Term and any Renewal Term, it shall be a breach of this Agreement for Franchisee, Franchisee's Affiliates or any Covered Person, directly or indirectly,



to own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, a Competitive Business located anywhere in the world; provided, however, the restrictions stated in this paragraph shall not apply to any Covered Person after 2 years from the date the Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

2. For 2 years after the Effective Date of Termination or Expiration of this Agreement (as defined in this Agreement) for any reason, or an event of transfer as defined in this Agreement, whichever occurs first, it shall be a breach of this Agreement for Franchisee, Franchisee's Affiliates or any Covered Person, directly or indirectly, to own, engage in or render any services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, a Competitive Business located anywhere within the Covered Area; provided, however, the restrictions stated in this paragraph shall not apply to any Covered Person for longer than 2 years from the date that the Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

3. The restrictions against competition do not apply to the rights expressly granted to Franchisee, Franchisee's Affiliates or any Covered Person under another Franchise Agreement pertaining to the use of the Jazen Tea® System or the Jazen Tea® Marks that continues in full force and effect.

4. This Agreement does not prohibit Franchisee, Franchisee's Affiliates or any Covered Person from owning 5% or less of the voting stock of a Competitive Business whose shares are publicly traded on a national or foreign stock exchange.

5. Franchisee acknowledges that the restrictions set forth in this Section XVI.A are reasonable and necessary to protect Company's legitimate business interests, which include preventing Franchisee, Franchisee's Affiliates, and Covered Persons from using Company's Confidential Information to engage in activities that directly or indirectly benefit a Competitive Business.

B. Interference. Neither Franchisee nor any Covered Person shall, directly or indirectly, for itself or on behalf of any other person divert, or attempt to divert, any business or customer of the Franchised Shop to any competitor by direct or indirect inducement or perform any act that directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Jazen Tea® Marks or the Jazen Tea® System.

C. Written Agreement. As a condition of this Agreement, unless they have already done so, Franchisee shall cause each Covered Person to execute Company's form of Confidentiality, Non-Disclosure and Non-Competition Agreement with Company containing restrictions substantively identical to the provisions of this Agreement.

D. Survival. The covenants stated in this Article shall survive termination, expiration or the transfer of this Agreement.

E. Savings Clause. The parties acknowledge that the covenants set forth in this Article are independent of the other covenants and provisions of this Agreement. If any provision in this Article is void or unenforceable under California law, but would be enforceable as written or as modified under the laws of the state in which the Authorized Location is located

(the "Local Laws"), the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement with respect to the subjects covered in this Article, but only with respect to those subjects. Franchisee expressly authorizes Company to conform the scope of any void or unenforceable covenant in order to conform it to the Local Laws. Franchisee expressly agrees, on behalf of itself and each Covered Person, to be bound by any modified covenant conforming to the Local Laws as if originally stated in this Agreement.

F. Enforcement. Franchisee understands and agrees that Company will suffer irreparable injury not capable of precise measurement in money damages if Franchisee or any Covered Person breaches the covenants set forth in this Article. Accordingly, in the event a breach occurs, Franchisee, on behalf of itself and each Covered Person, hereby consents to the issuance or entry of a temporary restraining order or other injunctive relief as well as to any other equitable relief that may be granted by a court having proper jurisdiction, without the requirement that Company post bond or comparable security. Franchisee further agrees that (i) the award of injunctive relief or other equitable remedies to Company for such a breach is reasonable and necessary for the protection of the business and goodwill of Company; and (ii) Company's recovery of damages is not an adequate remedy if Franchisee or any Covered Person breaches the covenants set forth in this Article.

## XVII. DEFAULT AND TERMINATION

### A. Termination by Franchisee.

1. Franchisee may terminate this Agreement by written notice to Company for any reason before signing the Lease and Addendum to Lease. Thereafter, Franchisee may terminate this Agreement by written notice to Company for any reason constituting good cause, provided (i) Franchisee is not in default of any obligation under this Agreement when it serves written notice of default on Company, and (ii) termination is accomplished in accordance with the requirements of this Agreement. "Good cause" means that Company has committed a material and substantial breach of this Agreement that it has not cured within the period allowed by this Agreement. When Franchisee's termination is based on good cause, Franchisee's written notice of termination must specify with particularity the matters cited to be in default and provide Company with a minimum of 30 days in which to cure the default. Additional time to cure must be provided as is reasonable under the circumstances if a default cannot reasonably be cured within the minimum 30-day period.

2. Any attempt by Franchisee to terminate this Agreement except on the grounds, or according to the procedures, stated in this Agreement shall be void.

3. Except as otherwise expressly provided in this Agreement, Franchisee's termination of this Agreement shall not entitle it to a refund of any monies that Franchisee has paid to Company or Company's Affiliates.

B. Termination by Company Without Opportunity to Cure. Company may terminate this Agreement, in its sole discretion and election, effective immediately upon Company's delivery of written notice of termination to Franchisee based upon the occurrence of any of the following events, which shall be specified in Company's written notice, and Franchisee shall have no opportunity to cure a termination based on any of the following events:

1. Should Franchisee fail or refuse to pay, on or before the date payment is due, any fees or other amounts payable to Company or the Jazen Tea® Marketing Fund, if Company creates one, and should the default continue for a period of 10 days after written notice of default is given by Company to Franchisee;
2. Should Franchisee fail or refuse to submit any report or financial statement on or before the date due, and should the default continue for a period of 10 days after written notice of default is given by Company to Franchisee;
3. Should Franchisee lose the right to possession of the Authorized Location due to Franchisee's breach of the Lease that either cannot be cured or that Franchisee has failed to cure within the allowed time period;
4. Should Franchisee commit an event of default under any other agreement by and between Franchisee and Company pertaining to the Franchised Shop and franchise granted by this Agreement that, by its terms, cannot be cured or that Franchisee fails to cure within the allowed time period;
5. Should Franchisee make any general arrangement or assignment for the benefit of creditors or become a debtor as that term is defined in 11 U.S.C. §1101 or any successor statute, unless, in the case where a petition is filed against Franchisee, Franchisee obtains an order dismissing the proceeding within 60 days after the petition is filed; or should a trustee or receiver be appointed to take possession of all, or substantially all, of the assets of the Franchised Shop, unless possession of the assets is restored to Franchisee within 30 days following the appointment; or should all, or substantially all, of the assets of the Franchised Shop or the franchise rights be subject to an order of attachment, execution or other judicial seizure, unless the order or seizure is discharged within 30 days following issuance;
6. Should Franchisee, or any duly authorized representative of Franchisee, make a material misrepresentation or omission in obtaining the franchise rights granted hereunder, or should Franchisee, or any officer, director, shareholder, member, manager, or general partner of Franchisee, be convicted of or plead no contest to a felony charge or engage in any conduct or practice that, in Company's reasonable opinion, reflects unfavorably upon or is detrimental or harmful to the good name, goodwill or reputation of Company or to the business, reputation or goodwill of the Jazen Tea® System or the Jazen Tea® Marks;
7. Should Franchisee fail to comply with the conditions governing the transfer of rights under this Agreement;
8. Should an order be made or resolution passed for the winding-up or the liquidation of Franchisee (if Franchisee is a Business Entity) or should Franchisee adopt or take any action for its dissolution or liquidation;
9. Should Franchisee have received from Company, during any consecutive 24-month period, 3 or more notices of default (whether or not the notices relate to the same or to different defaults and whether or not the defaults were timely cured by Franchisee);
10. Should Franchisee make any unauthorized use, publication, duplication or disclosure of any Confidential Information or any portion of the JT Manual, or should any person required by this Agreement to execute a Confidentiality, Non-Disclosure and Non-

Competition Agreement with Company or Franchisee breach the Confidentiality, Non-Disclosure and Non-Competition Agreement;

11. Should Franchisee abandon or fail or refuse to actively operate the Franchised Shop for any period such that Company may reasonably conclude that Franchisee does not intend to continue operating it, unless Franchisee obtains Company's written consent to close the Franchised Shop for a specified period of time before Franchisee ceases regular activities;

12. Should Franchisee materially misuse or make an unauthorized use of any of the Jazen Tea® Marks or commit any other act that does, or can reasonably be expected to, materially impair the goodwill or reputation associated with any of the Jazen Tea® Marks or the Jazen Tea® System;

13. Should Franchisee fail to comply with any violation of federal, state or local law within 10 days after being notified of non-compliance; or

14. Should Franchisee intentionally underreport Gross Sales under the criteria established in this Agreement.

C. Termination by Company With Right to Cure.

1. Should Franchisee breach, or refuse to fulfill or perform, any obligation arising under this Agreement not identified in Section XVII.B above, or fail or refuse to adhere to any mandatory operating procedure, specification or standard prescribed by Company in the JT Manual or otherwise communicated to Franchisee, Company may terminate this Agreement, in its sole discretion and election, effective at the close of business 30 days after giving written notice of default to Franchisee, which specifies the grounds of default, if Franchisee fails to cure the default cited in the notice. Company may indicate its decision to terminate by written notice given to Franchisee any time before, or after, the end of the 30-day cure period.

2. If a default cannot reasonably be cured within 30 days, Franchisee may apply to Company for additional time to complete the cure. The length of the additional cure period, if any, allowed by Company shall be stated in writing signed by Company. If Company grants an extension and if Franchisee does not complete the required cure within the extended cure period, termination of this Agreement shall be effective at the close of business on the last day of the extended cure period without further notice from Company.

D. Effect of Termination or Expiration.

1. Termination or expiration of this Agreement shall result in the concurrent, and automatic, termination of all agreements between the parties pertaining to the Franchised Shop or the franchise granted by this Agreement and shall also permit Company to enforce any Personal Guaranty of Franchisee's obligations given to Company as required by this Agreement.

2. Notwithstanding the termination of this Agreement, the parties agree that any other Franchise Agreements then in effect between the parties concerning other Stand-Alone Jazen Tea® Shops owned by Franchisee shall remain in full force and effect, unless the grounds that Company has relied upon to terminate this Agreement also constitute grounds for

terminating the other Franchise Agreements and Company has satisfied all requirements to terminate the other Franchise Agreements.

3. In any proceeding in which the validity of termination of this Agreement is at issue, Company shall not be limited to the reasons set forth in any notice of termination or default given to Franchisee.

E. Effective Date of Termination or Expiration of this Agreement. For purposes of this Agreement, (i) the "Effective Date of Termination" is: (x) the date on which Franchisee receives written notice of termination based on an event of default that this Agreement identifies as not being curable, or (y) the last day of the applicable cure period based on an event of default for which this Agreement grants Franchisee the right to cure; and (ii) the "Effective Date of Expiration" of this Agreement is the last day of the Term.

#### XVIII. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

A. Franchisee's Obligations. On and after the Effective Date of Termination or Expiration of this Agreement, Franchisee must comply with the following duties:

1. Within 10 days following the Effective Date of Termination or Expiration of this Agreement, Franchisee shall pay all fees and other amounts owed to Company, including, without limitation, late charges on any late payments.

a. Royalty Fees and Jazen Tea® Marketing Fees, if any, imposed pursuant to this Agreement shall continue to be due and payable (and late charges shall continue to be assessed) after the Effective Date of Termination or Expiration of this Agreement until the date that Franchisee completes all post-termination obligations required by this Agreement.

b. When termination is based upon Franchisee's default, Franchisee shall also pay to Company all damages, costs and expenses, and reasonable attorneys' fees, incurred by Company in enforcing the default and termination.

c. Franchisee's payments shall be accompanied by all reports required by Company regarding business transactions and the results of operations through the Effective Date of Termination or Expiration of this Agreement or until the date that Franchisee completes all post-termination or expiration obligations required by this Agreement, whichever occurs later.

2. Franchisee shall immediately cease using and, within 48 hours after the Effective Date of Termination or Expiration of this Agreement, deliver to Company the JT Manual and all other confidential or proprietary materials that Company has provided to Franchisee pursuant to this Agreement, including, without limitation, any proprietary software, and shall retain no copy or record of any of the foregoing. Franchisee shall immediately stop selling and using any Proprietary Products and shall resell its inventory of Proprietary Products in useable or salable condition to Company at Franchisee's actual cost. Franchisee shall disable or remove any proprietary software from its computers and retain no copy or record of the same.

3. With respect to the Authorized Location, Company may, pursuant to the Addendum to Lease, accept an assignment of the Lease, in which case, upon written notice

from Company, Franchisee shall forthwith vacate the Authorized Location, leaving it in good condition and repair with all fixtures and equipment not capable of being removed without damage to the Authorized Location, or which the Lease forbids to be removed, left in good working order. Company shall give Franchisee written notice of its election to accept an assignment of the Lease within 10 days after the Effective Date of Termination or Expiration. Company's failure to timely notify Franchisee shall signify its decision not to accept an assignment of the Lease. If Company does not accept an assignment of the Lease, Franchisee shall, at its sole cost and expense, within 30 days after the Effective Date of Termination or Expiration, remove all signs and other physical and structural features that readily identify the site as a Stand-Alone Jazen Tea® Shop, in a manner acceptable to Company, so that the former Authorized Location no longer suggests or indicates a connection with the Jazen Tea® System.

4. Franchisee shall execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company and its officers, directors, shareholders, employees and agents.

5. Franchisee shall permanently cease using, in any manner whatsoever, the Jazen Tea® Marks and Confidential Information, and any other property identified by the Jazen Tea® Marks or associated with the Jazen Tea® System that suggests or indicates that Franchisee is, or was, an authorized Jazen Tea® franchisee or continues to remain associated with the Jazen Tea® System. Franchisee shall cancel all advertising and promotional activities that associate Franchisee with the Jazen Tea® System. Continued use by Franchisee of any of the foregoing items shall constitute willful trademark infringement and unfair competition by Franchisee.

6. Franchisee shall immediately cease using, and shall facilitate the immediate assignment and transfer without compensation of, all property and registrations pursuant to the Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name attached to this Agreement as **Schedule F** concurrently executed by Franchisee on the Effective Date.

7. Franchisee shall comply, and cause all Covered Persons to comply, with the covenants set forth in this Agreement regarding competition, non-interference and Confidential Information.

8. Franchisee shall keep and maintain all business records pertaining to the business conducted at the Franchised Shop for 7 years after the Effective Date of Termination or Expiration of this Agreement. During this period, Franchisee shall permit Company to inspect such business records as frequently as Company deems necessary.

**B. Company's Right to Purchase Physical Assets.**

1. Company shall have the right, but not the obligation, to purchase all, or any, of Franchisee's physical assets relating to the Franchised Shop that are not considered to be fixtures of the Authorized Location and part of the realty, at Franchisee's original cost less depreciation, based upon the depreciation schedule that Company or Company's Affiliates use for like or comparable property, less the remaining balance, if any, of any financing that Franchisee owes to third parties for which the physical asset is pledged as security. Company may exercise this option by giving Franchisee written notice within 10 days after the Effective Date of Termination or Expiration of this Agreement, specifying in the notice the specific

physical assets that it desires to purchase. Within 10 days following receipt of Company's written notice, Franchisee shall furnish Company with documentation substantiating the original cost of each item identified by Company and depreciation taken as reported by Franchisee in its federal and state income tax returns. Within 10 days following receipt of Franchisee's documentation, Company shall notify Franchisee of the particular assets it will purchase and calculate the purchase price for the items in accordance with this paragraph, and within 5 days after giving the notice, Company will pay Franchisee the purchase price, less permitted set-offs. Company's failure to serve written notice of its election within 10 days after the Effective Date of Termination or Expiration of this Agreement shall signify its decision not to purchase any remaining physical assets of Franchisee.

2. With respect to the physical assets that Company purchases, Company shall have the absolute right to set off from the purchase price all sums then owed by Franchisee to Company, including damages, costs and expenses and reasonable attorneys' fees in enforcing the default and termination, and under Applicable Laws, as well as all amounts then due and owing to the Jazen Tea® Marketing Fund, if any, and to Company's Affiliates. For the sake of clarity, Company may reduce the purchase price by the amount of any Liquidated Damages that may be payable by Franchisee to Company pursuant to this Agreement. The right to set off shall not limit Company's remedies under this Agreement or Applicable Law.

3. Franchisee shall deliver possession of the physical assets purchased by Company upon Company's payment of the net purchase price.

C. Survival of Obligations.

1. All obligations of the parties that expressly, or by their nature, survive the Effective Date of Termination or Expiration of this Agreement shall continue in full force and effect subsequent to the Effective Date of Termination or Expiration of this Agreement until they are satisfied in full.

2. Franchisee shall remain fully liable for any and all obligations of the Franchised Shop, whether incurred before, or after, the Effective Date of Termination or Expiration of this Agreement, including, without limitation, obligations arising under this Agreement, the Lease, and all obligations owed to Company's Affiliates and other third parties for equipment, supplies, inventory, materials, salaries to employees, payments to independent contractors and taxes.

D. Third-Party Rights; Available Remedies.

1. No person acting for the benefit of Franchisee's creditors or any receiver, trustee in bankruptcy, sheriff or any other officer of a court or other person in possession of Franchisee's assets or business shall have the right to assume Franchisee's obligations under this Agreement without Company's prior consent.

2. Company's right to terminate this Agreement shall not be its exclusive remedy in the event of Franchisee's default, and Company shall be entitled, in its sole discretion and election, alternatively or cumulatively, to affirm this Agreement in the event of Franchisee's default and obtain damages arising from the default, injunctive relief to compel Franchisee to perform its obligations under this Agreement or to prevent Franchisee from breaching this Agreement, and any other remedy available under Applicable Laws.

## XIX. ASSIGNMENT AND TRANSFER

A. Assignment by Company. Franchisee represents that it has not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with Company in that capacity. Company is free to transfer and assign all of its rights under this Agreement to any person or Business Entity, provided the assignee agrees in writing to assume Company's obligations. Upon such assignment and assumption, Company shall have no further obligation to Franchisee.

B. Delegation of Duties. In addition to Company's right to assign this Agreement, Company has the absolute right to delegate performance of any portion or all of its obligations under this Agreement to any third-party designee of its own choosing, whether the designee is Company's Affiliate, agent or independent contractor. In the event of a delegation of duties, the third-party designee will perform the delegated functions in compliance with this Agreement. When Company delegates its duties to a third party (in contrast to when Company transfers and assigns all of its rights under this Agreement to a third party that assumes Company's obligations), Company will remain responsible for the performance of the third party to whom Company's duties are delegated.

### C. Assignment by Franchisee: In General.

1. Franchisee understands and agrees that the franchise rights granted to it are personal and are granted in reliance upon, among other considerations, the personal or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is a Business Entity, that of its officers, directors, shareholders, managers, members, trustees or owners.

2. Franchisee understands and agrees that, without Company's prior written consent, it has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement, (ii) the right to use the Jazen Tea® System or the Jazen Tea® Marks granted pursuant to this Agreement, or (iii) all or a significant portion of the other assets of the Franchised Shop or Franchisee's leasehold rights. Company agrees not to withhold its consent unreasonably if, in Company's judgment, Franchisee satisfies the conditions to transfer identified in this Agreement.

3. For purposes of this Agreement, each of the following events is an example of an event of transfer that requires Company's prior written consent and is subject to the conditions to transfer identified in this Agreement:

a. A change in ownership of Franchisee due to a consolidation or merger involving Franchisee or any Franchisee Affiliates;

b. If Franchisee is a natural person, an order dissolving Franchisee's marriage;

c. The death or Incapacity (as defined in this Agreement) of Franchisee if Franchisee is a natural person, or the death or Incapacity of the person who owns a Controlling Interest of a Franchisee that is a Business Entity;



d. Either (i) the sale, assignment, transfer, pledge, donation, encumbrance or other alienation in one or a series of transactions of a Controlling Interest in the equity or voting interests of Franchisee; (ii) the sale, assignment, transfer, pledge, donation, encumbrance or other alienation of a Controlling Interest in the equity or voting interests of any Franchisee Affiliates; or (iii) the issuance of additional shares representing a Controlling Interest in the equity or voting interests of Franchisee or any Franchisee Affiliates. For example, and without limitation, a financial restructuring or recapitalization secured by either a Controlling Interest in the equity or voting interests of Franchisee or all or substantially all of the physical assets of the Franchised Shop, shall constitute an event of transfer subject to the provisions of this Agreement;

e. The sale, assignment, transfer, pledge, donation, encumbrance or other alienation of all, or substantially all, of the assets of the Franchised Shop;

f. A transfer of any interest in this Agreement or the right to use the Jazen Tea® System or the Jazen Tea® Marks;

g. The transfer by Franchisee of all of his or her rights under this Agreement to a newly formed Business Entity; and

h. The offer or sale of securities of Franchisee pursuant to a transaction subject to registration under federal or state securities laws or by private placement pursuant to a written offering memorandum.

4. Any attempted or purported transfer that fails to comply with the requirements of this Agreement shall be null and void and shall constitute a default under this Agreement.

#### D. Company's Right of First Refusal.

1. Except with respect to Qualified Transfers, if Franchisee, or the person to whom an offer is directed (the "Individual Transferor"), receives a bona fide written offer ("Third-Party Offer") to purchase or otherwise acquire an interest that will result in an event of transfer within the meaning of this Agreement, Franchisee or the Individual Transferor, shall, within five (5) days after receiving the Third-Party Offer and before accepting it, apply to Company in writing for Company's consent to the proposed transfer.

2. Franchisee, or the Individual Transferor, shall attach to its application for consent to the transfer a true and complete copy of the Third-Party Offer together with (i) information relating to the proposed transferee's experience and qualifications, (ii) a copy of the proposed transferee's current financial statement, and (iii) any other information material to the Third-Party Offer, proposed transferee and proposed assignment or that Company requests.

3. Company or its nominee shall have the right, exercisable by written notice ("Notice of Exercise") given to Franchisee or the Individual Transferor, within 30 days following receipt of the Third-Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Individual Transferor that it will purchase or acquire the rights, assets, equity or interests proposed to be assigned on the same terms and conditions set forth in the Third-Party Offer, except that Company may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third-Party Offer, and (ii) deduct from the purchase price the amount of any commission or fee

otherwise payable to any broker or agent in connection with the Third-Party Offer and all amounts then due and owing from Franchisee to Company, Company's Affiliates, the Jazen Tea® Marketing Fund (if any), or otherwise. All assets so purchased shall be free and clear of liens. If any asset is pledged as security for financing that is then unpaid, Company may further deduct from the purchase price the remaining amount payable under the terms of financing regardless of whether the lender is Company, one of Company's Affiliates or a third party.

4. The closing shall take place at Company's headquarters at a mutually agreed upon date and time, but not later than 60 days following Company's receipt of the Third-Party Offer, all supporting information, and the application for consent to transfer.

a. At the closing, Franchisee or the Individual Transferor shall deliver to Company the same documents, affidavits, warranties, indemnities and instruments as would have been delivered by Franchisee or the Individual Transferor to the proposed transferee pursuant to the Third-Party Offer. Additionally, Franchisee and the Individual Transferor shall deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

b. All costs, fees, document taxes and other expenses incurred in connection with the transfer shall be allocated between Franchisee and Company in accordance with the terms of the Third-Party Offer, and any costs not allocated shall be paid by Franchisee or the Individual Transferor.

5. In the event Company gives timely Notice of Exercise but, through no fault of Franchisee or the Individual Transferor, fails to close the purchase for any reason, Franchisee or the Individual Transferor shall have no recourse against Company. Franchisee or the Individual Transferor may not complete the sale to the proposed transferee without first obtaining Company's prior written consent and satisfying the other conditions to transfer stated in this Agreement.

#### E. Qualified Transfers.

1. The following events are collectively referred to as "Qualified Transfers":

a. If Franchisee is a Business Entity, the sale, assignment, transfer, pledge, donation, encumbrance or other alienation of equity or voting interests constituting less than a Controlling Interest of the total outstanding equity or voting interests of a Franchisee; and

b. If Franchisee is a natural person, the transfer by Franchisee of all of his or her rights under this Agreement to a newly-formed Business Entity provided all of the equity or voting interests of the new Business Entity are owned by the person.

2. In order to complete a Qualified Transfer, Franchisee must first (i) give Company written notice of its desire to complete a Qualified Transfer and provide the names and respective equity interest of each person that will own an interest in Franchisee when the proposed Qualified Transfer is completed; (ii) when the Qualified Transfer is to a newly-formed Business Entity, deliver the documents required to be delivered by a Business Entity Franchisee; (iii) deliver a duly executed personal guaranty in favor of Company from each person who is required to give a personal guaranty under this Agreement; and (iv) pay a transfer fee of \$1,500 to compensate Company for its expenses in recording the ownership

change. The Qualified Transfer shall not be effective unless and until Franchisee satisfies conditions (i), (ii), (iii), and (iv).

3. Company shall not have any right of first refusal with respect to a Qualified Transfer, nor shall Franchisee be required to obtain Company's prior written consent to a Qualified Transfer if Franchisee satisfies the conditions stated in this Section.

F. Conditions of Assignment to Third Party.

1. If Company does not exercise its right of first refusal or complete the purchase of an interest that is the subject of a Third-Party Offer, Franchisee may not complete the proposed transfer without Company's prior written consent. Any transfer, or attempt to complete a transfer, in violation of this provision is a material breach of this Agreement. The requirements of this paragraph do not apply to a Qualified Transfer.

2. Company shall notify Franchisee of its decision consenting, or refusing to consent to, the proposed transfer by the later of the following dates: (i) if Company gives timely Notice of Exercise but does not consummate the transfer through no fault of Franchisee or the Individual Transferor, notice shall be given within 10 days after the scheduled closing date for Company's purchase of the interest, or 30 days after Notice of Exercise is given, whichever occurs later, or (ii) in all other cases, notice shall be given 30 days after Company receives the Third-Party Offer (if any), all supporting information and the application for consent to transfer.

3. As a condition to issuing consent to a transfer, Company shall require that all of the following conditions be satisfied:

a. The proposed transferee must submit a completed franchise application to Company, pay Company's then-current application fee, if Company at the time charges one, and meet Company's then-current qualifications for new Stand-Alone Jazen Tea® Shop Franchisees, including qualifications pertaining to financial condition, credit rating, business experience, moral character and reputation. The application fee shall be non-refundable.

b. As of the date consent is requested and through the date of closing of the proposed transfer and assignment, Franchisee must not be in default under this Agreement, the Lease, or any other agreements with Company, and must be current with all monetary obligations owed to third parties, including, without limitation, Company's Affiliates.

c. The transferee must agree in writing to assume all of Franchisee's obligations under this Agreement and succeed to Franchisee's rights under this Agreement.

d. Franchisee shall remain subject to all obligations stated herein that expressly, or by their nature, survive the Effective Date of Termination or Expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

e. Franchisee must execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents.

f. Franchisee must pay Company a transfer fee equal to 25% of the then-current Initial Franchise Fee that Company is charging for new single-unit Stand-Alone Jazen Tea® Shop Franchises in the state where the Franchised Shop is located, unless the proposed transferee is an existing Stand-Alone Jazen Tea® Shop Franchisee or Co-Branded Phở Hòa® Restaurant Franchisee, in which case the transfer fee shall be reduced to 15% of the then-current Initial Franchise Fee. If the same transferee buys more than one franchise from Franchisee in the same transaction, Company shall be entitled to collect a separate transfer fee under the terms of each Franchise Agreement being assigned.

g. All required third-party consents to the transfer must be obtained, including, without limitation, the consent of the landlord of the Authorized Location and all third parties under financing that does not become all due and payable on account of the transfer.

h. The proposed transferee must execute all other documents and agreements required by Company to consummate the transfer of this Agreement. If the proposed transferee is a Business Entity, each person who at the time of the transfer, or later, owns or acquires, either legally or beneficially, 10% or more of the equity or voting interests of the proposed transferee must execute the form of personal guaranty attached to this Agreement as **Schedule B** and incorporated herein by reference to guarantee the transferee's performance under this Agreement.

i. Franchisee's right to receive the sales proceeds from the proposed transferee in consideration of the transfer, or otherwise, shall be subordinate to the proposed transferee's and Franchisee's duties owed to Company and Company's Affiliates under, or pursuant to, this Agreement. All contracts by and between Franchisee and the proposed transferee shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations owed to Company and Company's Affiliates are fully satisfied.

j. Except when the transferee is an existing Stand-Alone Jazen Tea® Shop Franchisee or Co-Branded Phở Hòa® Restaurant Franchisee, the proposed transferee must complete, to Company's sole satisfaction, Company's next available Management Training class that is part of Company's then-current initial training program immediately after possession of the Franchised Shop is transferred to the proposed transferee and qualify at least one Certified Manager before the proposed transferee may assume operational responsibility for the Franchised Shop. Franchisee understands and agrees that, following the closing, Franchisee shall remain responsible for operation and management of the Franchised Shop until the proposed transferee and its personnel complete the requisite training and certification requirements and there is at least one person qualified as a Certified Manager for the proposed transferee.

k. Franchisee must simultaneously transfer its rights under the Lease, and any other contracts whose continuation is necessary for operation of the Franchised Shop, to the same proposed transferee and satisfy any separate conditions to obtain any third-party consents required for the transfer of Franchisee's rights to the proposed transferee.

l. Within a reasonable period of time following the closing date, the proposed transferee shall conform the Franchised Shop to Company's then-current appearance, trade dress elements and design standards and equipment specifications then applicable to new Stand-Alone Jazen Tea® Shops.

G. Closing of Sale to Third Party.

1. Should Company consent to an event of transfer, Franchisee, or the Individual Transferor, may only complete the transfer to the proposed transferee on the terms identified in the Third-Party Offer or as otherwise stated in Franchisee's application for consent.

2. If there is any material change in the terms of the Third-Party Offer, Company has a right of first refusal to accept the new terms subject to the conditions stated in this Section.

3. If Company consents to an event of transfer, the transfer must close within 60 days from the date the Third-Party Offer is first submitted to Company unless Company grants an extension of time in writing; otherwise, it must again be offered to Company.

H. Business Entity Franchisee.

1. If Franchisee is a Business Entity, it shall furnish to Company, upon execution of this Agreement or at such other time as transfer to the Business Entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other governing agreement, and a list of all persons owning an interest in the equity or voting interests of the Business Entity. Additionally, Franchisee shall promptly provide Company with a copy of any amendments to, or changes in, the information during the Term.

2. During the Term, each person who now or later owns or acquires, either legally or beneficially, 10% or more of the equity or voting interests of Franchisee must execute Company's form of personal guaranty attached hereto as **Schedule B** to guarantee Franchisee's performance under this Agreement.

3. Franchisee shall maintain stop transfer instructions against the transfer on its records of any equity or ownership interests. Each certificate representing an ownership interest in Franchisee shall bear a legend, in the form stated in the JT Manual, that it is held, and further assignment or transfer thereof is, subject to all restrictions imposed upon transfer set forth in this Agreement.

4. The chief financial officer of Franchisee shall deliver a certificate to Company annually, when Franchisee's annual financial statements are delivered, that lists all owners of record and all beneficial owners of any interest in the equity or voting interests of Franchisee and identifies all transfers of equity or voting interests in Franchisee that have occurred during the period covered by the annual financial statement.

I. Death or Incapacity.

1. In the event of the death or Incapacity of Franchisee, if Franchisee is a natural person, or the death or Incapacity of the person owning a Controlling Interest of a Franchisee that is a Business Entity, the spouse, heirs or personal representative of the deceased or incapacitated person, or the Franchisee's remaining shareholders, members, partners or owners, as appropriate to the circumstance (collectively referred to as the "Successor") shall have 180 days from the date of death or Incapacity in which to (i) purchase the interest owned by the deceased or incapacitated person, or (ii) complete the sale or

assignment of the interest to a qualified, approved third party, provided, in either case, the purchase or assignment complies with the conditions for transfer stated in this Section.

2. During the period that the Successor operates Franchisee's Franchised Shop, the Successor shall perform all of the obligations of Franchisee under this Agreement. At the end of the 180-day period, if the Successor has not purchased the franchise or obtained Company's consent to a transfer to a third party, Company may, at its election, terminate this Agreement.

3. If a Successor is unable to demonstrate to Company's reasonable satisfaction that the Successor has the financial ability and business skills to operate the Franchised Restaurant in accordance with the requirements of this Agreement during the interim period until the Successor is able to obtain Company's consent to complete the Event of Transfer, Company shall have the absolute right to occupy the Approved Location and assume day-to-day management of the Franchised Restaurant for the account of Franchisee. In addition to receiving the fees due to Company under this Agreement, Franchisee agrees that in exchange for Company's management services, Company shall be entitled to receive a reasonable management fee in the then-current amount published in the Confidential Manual and be reimbursed for all of its direct costs and expenses in rendering management services. This Agreement shall otherwise continue in full force and effect during the period of Company's day-to-day management. The Successor's failure or refusal to cooperate with Company's right to turn management of the Franchised Restaurant over to Company during the interim period if required by this Section shall constitute a material breach of this Agreement.

4. The parties recognize that Company's right to manage the Franchised Restaurant is primarily intended to facilitate an orderly transition of ownership with minimal disruption to the Franchised Restaurant's continuous operation. Company shall manage the Franchised Restaurant only until the Successor obtains Company's consent to the Event of Transfer, but in no event shall Company be required to manage the Franchised Restaurant for longer than 90 days. By mutual agreement of Company and the Successor, the period of Company's management may be extended for longer than 90 days, but in no event shall it extend beyond one year from the date of death or Incapacity. If the Successor cannot obtain Company's consent to a proposed transferee by the end of one year, Company may terminate this Agreement. During the time that Company manages the Franchised Restaurant, Company shall periodically discuss the status of the Franchised Restaurant's operations and financial results with the Successor and provide suitable current information about the Franchised Restaurant's performance as the Successor may reasonably require.

## **XX. RELATIONSHIP OF PARTIES; INDEMNIFICATION; SECURITY INTEREST**

### **A. Independent Contractor.**

1. This Agreement does not create a fiduciary relationship between the parties, nor does it make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. With respect to all matters, Franchisee's relationship to Company is as an independent contractor.

2. Franchisee understands and agrees that it is the independent owner of the Franchised Shop and in sole control of all aspects of its operation, and shall conduct its business using its own judgment and sole discretion, subject only to the provisions of this Agreement.

3. Franchisee shall conspicuously identify itself in all advertising and all dealings with customers, suppliers and other third parties as the owner of the Franchised Shop operating under a license from Company.

B. Indemnification by Franchisee.

1. Franchisee shall indemnify and hold Company, Company's Affiliates and their respective officers, directors, shareholders, employees, agents, successors and assigns, harmless from and against any and all costs, expenses, losses, liabilities, damages, causes of action, claims and demands whatsoever, arising from or relating to the business conducted by Franchisee at or from the Franchised Shop, whether or not arising from bodily injury, personal injury or property damage, or any other violation of the rights of others, or in any other way.

2. Franchisee's obligation to indemnify Company shall extend, without limitation, to all claims for actual and consequential damages, and Company's costs and expenses incurred in defending any claim brought or threatened by a third party that is within the scope of Franchisee's indemnification, including, without limitation, attorneys' and other professional fees, court costs, and travel and living expenses. Company shall have the right to retain its own counsel to defend any third-party claim covered by this indemnification agreement.

3. Franchisee's indemnification obligation shall survive the expiration, termination or assignment of this Agreement for any reason.

C. Security Interest. To secure Franchisee's performance under this Agreement, Franchisee hereby grants to Company a security interest in and to all of Franchisee's tangible and intangible property used to operate the Franchised Shop. Company shall record appropriate financing statements to protect and perfect Company's rights as a secured party under Applicable Laws. Except with Company's prior written consent, it shall be a breach of this Agreement for Franchisee to grant another person a security interest in Franchisee's tangible or intangible assets of the Franchised Shop even if subordinate to Company's security interest. Company agrees to subordinate Company's own security interest if requested by a lender providing financing to Franchisee on commercially reasonable terms in connection with the purchase of the Franchised Shop.

XXI. PERSONAL GUARANTY

A. Scope. If Franchisee is a Business Entity, each person who owns or at any time during the Term acquires, either legally or beneficially, 10% or more of the equity or voting interests of Franchisee shall furnish any financial information reasonably required by Company and execute Company's form of personal guaranty attached to this Agreement as **Schedule B**.

B. Default. An event of default under this Agreement shall occur if any guarantor fails or refuses to deliver to Company, within 10 days after Company's written request: (i) evidence of the due execution of the personal guaranty, and (ii) current financial statements of guarantor as may from time to time be requested by Company.

XXII. DISPUTE RESOLUTION

A. Agreement to Mediate Disputes. Except as provided in subparagraph B of this Section, neither party to this Agreement shall bring an action or proceeding to enforce or

interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

1. The mediation shall be conducted pursuant to the mediation rules of JAMS ("Mediation Service"). Either party may initiate the mediation proceeding ("Initiating Party") by notifying the Mediation Service in writing, with a copy to the other party ("Responding Party"). The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then-current rules, except to the extent such rules conflict with this Agreement, in which case this Agreement shall control.

2. The mediation will be conducted by a single mediator, with the parties giving preference if at all possible to either a practicing attorney with experience in business format franchising or a retired judge. To be qualified, the mediator shall have no past or present affiliation or conflict with any party to the mediation, and must be generally available to conduct the mediation within the time parameters required by this Agreement. The parties agree that the mediator and the Mediation Service's employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute that is the subject of the mediation.

3. The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys' fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

4. The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Franchisee is the Initiating Party, the mediation shall be conducted at Company's headquarters at the time, unless otherwise required by Applicable Law.

5. The parties shall participate in good faith in the entire mediation, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of all principals of that party who are required by the terms of the parties' settlement to be personally bound by it. The parties recognize and agree, however, that the mediator's recommendations, if any, shall not be binding on the parties.

6. The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of eight hours of mediation as required by Section XXII.A.7, and informs the parties in writing, that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

7. Notwithstanding Section XXII.A.6, the parties agree that the mediation conference shall continue for at least eight hours and be held on one day, if possible; if not, then over 2 consecutive days; provided, however, the parties are excused from this requirement if they succeed in reaching a written settlement in less than eight hours.



8. If one party breaches this Agreement by refusing to participate in the mediation in accordance with this Agreement (including, without limitation, for breaching the conditions of Section XXII.A.7), the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs, (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

9. At the mediator's sole discretion, or upon either party's request, the mediator will provide a written evaluation of each party's claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

10. The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

B. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to:

1. Any claim where the amount of damages sought is \$10,000 or less.

2. Any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders that a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond or comparable security. Once interim relief is obtained, the parties agree to submit the dispute to, or continue, mediation in accordance with this Agreement.

3. Any claim by Company or the holder of rights under any lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of Company's other rights under the Addendum to Lease.

C. Judicial Relief.

1. The parties agree that (i) all disputes arising out of or relating to this Agreement that are not resolved by negotiation or mediation, and (ii) all claims that this

Agreement expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of Sacramento and the United States District Court of the Eastern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this paragraph and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

2. To the fullest extent that it may effectively do so under Applicable Laws, Franchisee waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this paragraph and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this paragraph.

3. The parties agree to waive any right to a trial by jury in any action arising out of or relating to this Agreement, as further provided in this Agreement.

4. In any proceeding alleging breach of this Agreement, each party shall have the right to engage in deposition and document discovery, including, in the case of Company, the right to conduct forensic examination of Franchisee's computer systems if Company reasonably believes the computer systems contain Confidential Information. In connection with any application for any interim relief, as set forth above, each party may conduct discovery on an expedited basis.

D. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR FRANCHISEE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE JAZEN TEA® MARKS OR THE JAZEN TEA® SYSTEM BY FRANCHISEE, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

E. Choice of Law. Except as otherwise provided in this Agreement, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises under federal law, in which event the federal law shall govern.

F. Liquidated Damages. If this Agreement is terminated due to Franchisee's material breach, Company may recover liquidated damages calculated in the manner provided in this Section ("Liquidated Damages"). The calculation of Liquidated Damages is based on the parties' good faith estimate of the amount of time it would take Company to find a replacement for Franchisee in the trade area that had been served by Franchisee and for the replacement to

generate fees equivalent to the amounts paid or payable by Franchisee. The parties agree that: (i) if termination occurs more than 24 complete Calendar Months from the Opening Date, Liquidated Damages shall be equal to the product of 24 times the average Royalty Fees and Marketing Fees paid, or that should have been paid, by Franchisee pursuant to this Agreement, for the 24 Calendar Months immediately before the Effective Date of Termination of this Agreement; and (ii) if termination occurs before Franchisee has operated its Franchised Shop for at least 24 complete Calendar Months, Liquidated Damages shall be equal to the product of 24 times the average Royalty Fees and Marketing Fees paid, or that should have been paid, by Franchisee pursuant to this Agreement, during the period since the Opening Date. In each case, the amount of Liquidated Damages shall not be reduced by any claims that Franchisee may have for set off or otherwise. Furthermore, the Liquidated Damages calculation shall not be affected by the fact that during the calculation period Royalty Fees and Marketing Fees may not have been paid by Franchisee or were forgiven, setoff, or waived by Company for any reason. The parties acknowledge and agree that the method for calculating Liquidated Damages represents the parties' reasonable endeavor to estimate a fair average compensation for Company's loss due to Franchisee's material breach and their decision to provide for Liquidated Damages spares both parties the cost and inconvenience of having to prove Company's actual damages. Franchisee agrees that the availability of Liquidated Damages shall not preclude Company from obtaining injunctive relief or other provisional remedies in order to enforce the provisions of this Agreement pertaining to Franchisee's use of the Marks or to prevent conduct that does, or threatens to, harm the reputation or goodwill of the Marks.

G. Punitive or Exemplary Damages. Company and Franchisee, and their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive, to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

H. Attorneys' Fees.

1. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

2. Company shall be entitled to reimbursement of all fees, costs and expenses that it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

I. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including, without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than the last to occur of the following: (i) 90 days after obtaining knowledge of the facts that constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction that constituted or gave rise to the alleged violation or liability.

J. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a decision of a judge in any proceeding or action in which either Company and Franchisee, but not both of them, is a party will not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

K. Waiver of Class Action Proceedings and Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted only on an individual basis, not on a class-wide basis, and there may be no consolidation or joinder of other claims or controversies involving any other Franchisee. Any such mediation or litigation initiated or brought by either party against the other will not and may not proceed as a class action, collective action, private attorney general action or any similar representative action. Company and Franchisee both understand and agree that they are waiving any substantive or procedural rights that they might have to bring an action on a class, collective, private attorney general, representative or other similar basis.

### XXIII. ACKNOWLEDGMENTS

Franchisee, in order to induce Company to enter into this Agreement, acknowledges, agrees, and represents to Company as follows:

A. Acceptance of Conditions. Franchisee has read this Agreement and Company's Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Company's standards of service and quality and the uniformity of those standards at all Stand-Alone Jazen Tea® Shops in order to protect and preserve the Jazen Tea® System and the goodwill of the Jazen Tea® Marks.

B. Independent Investigation. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the Jazen Tea® System may evolve and change over time; that an investment in this franchise involves business risks; and that the success of the investment depends upon Franchisee's business ability and efforts.

C. Reliance. Franchisee has not received or relied upon any promise or guaranty, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement.

D. No Representations. No representations have been made by Company, Company's Affiliates or their respective officers, directors, shareholders, employees or agents, that are contrary to statements made in the Franchise Disclosure Document previously received by Franchisee or to the terms contained in this Agreement.

E. Signatory Status. The person executing this Agreement as or on behalf of Franchisee, and each person required to execute a guaranty of Franchisee's obligations, is a United States citizen or a lawful resident alien of the United States.

F. Status of Franchisee. If Franchisee is a Business Entity, it is now, and shall at all times remain, duly organized and in good standing for as long as it is a party to this Agreement.

G. Application and Financial Information. All financial and other information provided to Company in connection with Franchisee's application is true and correct and no material information or fact has been omitted that is necessary in order to make the information disclosed not misleading.

H. Company's Sole Discretion. The parties recognize that certain provisions of this Agreement give Company the right to take (or refrain from taking) certain actions in its sole discretion. Company's sole discretion means that Company may consider any set of facts or circumstances that it deems relevant in rendering a decision. The parties acknowledge and agree that the allocation of decision-making authority set forth in this Agreement is a material aspect of the parties' overall bargain. The fact that a mediator or judge might reach a different decision than the one that Company has made or that other alternatives may exist to the discretion exercised by Company shall not be the basis for finding that Company has acted in breach of this Agreement.

I. Anti-Terrorism Representations. Franchisee agrees to comply with and/or to assist Company to the fullest extent possible in Company's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents and warrants on behalf of itself, each Covered Person and each person who is a guarantor of Franchisee's obligations to Company that none of their property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, 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 addressing or in any way relating to terrorist acts and acts of war. Any violation of, or "blocking" of assets under, the Anti-Terrorism Laws shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Company or one of its affiliates, in accordance with the termination provisions of this Agreement.

#### XXIV. MISCELLANEOUS

##### A. Notices.

1. All communications required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given on the earlier of (i) the date when delivered by hand; (ii) one Business Day after delivery to a reputable national overnight delivery service; or (iii) four Business Days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested.

2. All notices shall be addressed as follows:

**TO COMPANY:**

South Bay Soup Corporation  
1420 Fulton Drive, Building B  
Sacramento, CA 95825  
Fax: (916) 484-3837  
ATTENTION: President

**TO FRANCHISEE:**

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**WITH A COPY TO:**

Rochelle B. Spandorf, Esq.  
DAVIS WRIGHT TREMAINE LLP  
865 South Figueroa Street, Suite 2400  
Los Angeles, CA 90017-2566  
Fax No.: (213) 633-6899

**WITH A COPY TO:**

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3. Either party may change its address for receiving notices by appropriate written notice to the other.

4. All payments and reports required to be delivered to Company shall be directed to Company at the above address or to an electronic address or account otherwise designated by Company.

B. Time of the Essence. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

C. Company's Prior Approval. Except where this Agreement expressly requires Company to exercise its reasonable business judgment in deciding to grant or deny approval of any action or request by Franchisee, Company has the absolute right to refuse any request by Franchisee or to withhold its approval of any action by Franchisee in Company's sole discretion. Further, whenever the prior consent or approval of Company is required by this Agreement, Company's consent or approval must be in evidence by a writing unless this Agreement expressly states otherwise.

D. Waiver.

1. Any waiver granted by Company to Franchisee excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing and shall be effective upon delivery of such writing by Company to Franchisee or upon such other effective date as specified in the writing, and only to the extent specifically allowed in such writing.

2. No waiver granted by Company, and no action taken by Company, with respect to any third party shall limit Company's discretion to take action of any kind, or not to take action, with respect to Franchisee. Any waiver granted by Company to Franchisee shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative.

3. No delay on the part of Company in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Company of any right or

remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy.

4. Company's acceptance of any payments made by Franchisee after a breach of this Agreement shall not be, nor be construed as, a waiver by Company of any breach by Franchisee of any term, covenant or condition of this Agreement.

E. Paragraph Headings; Language.

1. The paragraph headings used in this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

2. The language used in this Agreement shall in all cases be construed simply according to its fair meaning and not strictly for or against Company or Franchisee. The term "Franchisee" as used herein is applicable to one or more persons or Business Entities if the interest of Franchisee is owned by more than one, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If 2 or more persons are at any time the Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Company shall be joint and several.

3. Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies upon any person or Business Entity not a party hereto.

F. Binding on Successors. The covenants, agreements, terms and conditions contained in this Agreement shall be binding upon, and shall inure to the benefit of, the successors, permitted assigns, heirs and personal representatives of the parties hereto.

G. Validity; Conformity With Applicable Laws.

1. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under Applicable Laws, but if any provision of this Agreement shall be invalid or prohibited under Applicable Laws, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

2. To the extent that the provisions of this Agreement provide for periods of notice less than those required by Applicable Laws, or provide for termination, cancellation, non-renewal or the like other than in accordance with Applicable Laws, such provisions shall be deemed to be automatically amended to conform them to the provisions of such Applicable Laws.

3. To the extent any provision of this Agreement is deemed unenforceable by virtue of its scope in terms of geographic area, business activity prohibited or length of time, but could be enforceable by reducing any or all thereof, the parties agree that the provision shall be enforced to the fullest extent permissible under the laws of the jurisdiction in which enforcement is sought.

H. Amendments. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on any party unless it is set forth in writing and executed by Company and Franchisee.

I. Complete Agreement. This Agreement, including all exhibits attached hereto, and all agreements or documents that by the provisions of this Agreement are expressly incorporated herein or made a part hereof, sets forth the entire agreement between the parties, fully superseding any and all prior agreements or understandings between them pertaining to the subject matter hereof. However, nothing in this Agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

J. Force Majeure. Neither party is responsible for a failure to perform its obligations under this Agreement if performance is prevented or delayed due to an event of Force Majeure. Upon completion of the event of Force Majeure, the party whose performance was affected must as soon as reasonably practicable recommence the performance of their obligations under this Agreement. Furthermore, the party whose performance is prevented or delayed shall use their reasonable efforts to mitigate the effect of the event of Force Majeure on their performance. An event of Force Majeure does not relieve a party or a Personal Guarantor from liability for an obligation that arose before the onset of the event of Force Majeure, nor does an event of Force Majeure affect the obligation to pay money in a timely manner for an obligation that arose before the onset of the event of Force Majeure. An event of Force Majeure will not operate to extend the Term of this Agreement.

K. Covenant and Condition. Each provision of this Agreement performable by Franchisee shall be construed to be both a covenant and a condition.

L. Submission of Agreement. The submission of this Agreement to Franchisee does not constitute an offer to Franchisee, and this Agreement shall become effective only upon execution by Company and Franchisee.

M. Consent of Spouse. If Franchisee enters into this Agreement in their individual capacity, Franchisee's spouse shall execute a Consent of Spouse in the form of **Schedule E**. If Franchisee is a Business Entity, the spouse of each Personal Guarantor shall execute a Consent of Spouse in the form of **Schedule E**.

N. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

[Signatures on Following Page]



IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

**SOUTH BAY SOUP CORPORATION**

**FRANCHISEE**

By: \_\_\_\_\_

\_\_\_\_\_  
[Signature, if a natural person]

Its: \_\_\_\_\_

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[NAME OF BUSINESS ENTITY]

By: \_\_\_\_\_

Its: \_\_\_\_\_

**SCHEDULE A TO FRANCHISE AGREEMENT**  
**AUTHORIZED LOCATION AND FRANCHISE TERRITORY**

The street address of the Authorized Location is as follows:

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[Applicable only if a Territory is awarded to Franchisee]: The Territory is described as follows [or attach map]:

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Dated: \_\_\_\_\_, \_\_\_\_\_

**SOUTH BAY SOUP CORPORATION**

**FRANCHISEE**

By: \_\_\_\_\_

\_\_\_\_\_  
[Signature, if a natural person]

Its: \_\_\_\_\_

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[NAME OF BUSINESS ENTITY]

By: \_\_\_\_\_

Its: \_\_\_\_\_

## SCHEDULE B TO FRANCHISE AGREEMENT

### PERSONAL GUARANTY

THIS GUARANTY AGREEMENT ("Agreement") is made as of \_\_\_\_\_, by \_\_\_\_\_, an individual ("Guarantor") in favor of South Bay Soup Corporation ("Company"), subject to following recitals:

### RECITALS

A. Guarantor's company, \_\_\_\_\_ ("Debtor") applied to purchase the right to open a Stand-Alone Jazen Tea® Shop Franchise on the terms of the contracts (collectively referred to as the "Contracts") attached to Company's Franchise Disclosure Document ("FDD").

B. Debtor is a business entity other than a partnership duly organized under the laws of the State of \_\_\_\_\_.

C. When a franchisee or applicant seeking to purchase franchise rights is a business entity other than a partnership, Company requires that each person owning 10% or more of the equity or voting interests of the business entity execute a copy of this Agreement, agreeing to personally guaranty the business entity's obligations under each one of the Contracts for the benefit of Company.

D. Guarantor represents that he/she is one of the individuals identified on **Schedule A**, which lists all of the owners of Debtor, and that Guarantor owns, either legally or beneficially, 10% or more of the equity or voting interests of Debtor.

NOW, THEREFORE, in order to induce Company to enter into one or more of the Contracts with Debtor, Guarantor covenants and agrees with Company as follows:

#### Section 1. Guaranty.

a. Guarantor hereby unconditionally and irrevocably guarantees to Company and Company's Affiliates the full and punctual payment and performance of all present and future amounts, liabilities and obligations of Debtor to Company, Company's Affiliates, or to any successor or transferee thereof under each of the Contracts entered into by and between Debtor and Company. Guarantor's agreement shall apply regardless of whether the amounts, liabilities or obligations are liquidated or unliquidated, now existing or hereafter arising, in principal, interest, delinquency charges, costs and attorneys' fees, as therein stipulated, and under and pursuant to all amendments, supplement and restatements of the Contracts (collectively, the "Indebtedness").

b. The term "Company's Affiliates" includes every business entity that controls, is controlled by, or is under common control with Company.

c. Payments made on the Indebtedness will not discharge or diminish the obligations and liability of Guarantor under this Agreement for any remaining and succeeding Indebtedness.

d. The guarantee provided for in this Agreement is an absolute, unconditional, continuing guarantee of payment and is in no way conditioned upon or limited by: (i) any attempt to collect from Debtor; (ii) any attempt to collect from, or the exercise of any rights and remedies against, any person other than Debtor who may at any time now or hereafter be primarily or secondarily liable for any or all of the Indebtedness, including, without limitation, any other maker, endorser, surety, or guarantor of all or a portion of the Indebtedness; or (iii) any resort or recourse to or against any security or collateral now or hereafter pledged, assigned, or granted to Company under the provisions of any instrument or agreement or otherwise assigned or conveyed to it.

e. If Debtor fails to pay any of the Indebtedness, when and as the same shall become due and payable (whether by acceleration, declaration, extension or otherwise), Guarantor shall on demand pay the same to Company in immediately available funds, in lawful money of the United States of America, at its address specified in or pursuant to this Agreement.

Section 2. Solidary Obligation. Guarantor hereby binds and obligates Guarantor and Guarantor's heirs, successors and assigns in solido with Debtor for the full and punctual payment and performance of all of the Indebtedness precisely as if the same had been contracted and were due and owing by Guarantor personally.

Section 3. Obligations Absolute.

a. The obligations and liabilities of Guarantor under this Agreement (i) are primary obligations of Guarantor, (ii) are continuing, absolute, and unconditional, (iii) shall not be subject to any counterclaim, recoupment, set-off, reduction, or defense based upon any claim that Guarantor may have against Debtor, (iv) are independent of any other guaranty or guaranties at any time in effect with respect to all or any part of the Indebtedness, and (v) may be enforced regardless of the existence of such other guaranty or guaranties.

b. The obligations and liabilities of Guarantor under this Agreement shall not be affected, impaired, lessened, modified, waived or released by the invalidity or unenforceability of the Indebtedness or any ancillary or related document, or by the bankruptcy, reorganization, dissolution, liquidation or similar proceedings affecting Debtor or the sale or other disposition of all or substantially all of the assets of Debtor.

c. Guarantor hereby consents that at any time and from time to time, Company may, without in any manner affecting, impairing, lessening, modifying, waiving or releasing Guarantor's obligations or liabilities under this Agreement, do any one or more of the following, all without notice to, or further consent of, Guarantor:

(1) renew, extend or otherwise change the time or terms for payment of the principal of, or interest on, any of the Indebtedness or any renewals or extensions thereof;

(2) extend or change the time or terms for performance by Debtor of any other obligations, covenants or agreements;

(3) amend, compromise, release, terminate, waive, surrender, or otherwise deal with: (i) any or all of the provisions of the Indebtedness, (ii) any or all of the obligations and liabilities of Debtor or Guarantor, or (iii) any or all property or other security given at any time as collateral by Guarantor or Debtor;

(4) sell, assign, collect, substitute, exchange or release any or all property or other security now or hereafter serving as collateral for any or all of the Indebtedness;

(5) receive additional property or other security as collateral for any or all of the Indebtedness;

(6) fail or delay to enforce, assert or exercise any right, power, privilege or remedy conferred upon Company under the provisions of any Indebtedness or under applicable laws;

(7) grant consents or indulgences or take action or omit to take action under, or in respect of, the Indebtedness; and

(8) apply any payment received from Debtor or from any source, other than Guarantor, to the Indebtedness in whatever order and manner Company may elect, and any payment received from Guarantor for or on account of this Agreement may be applied by Company to any of the Indebtedness in whatever order and manner Company may elect.

Section 4. Waiver by Guarantor. Guarantor unconditionally waives, to the extent permitted by applicable laws:

a. notice of acceptance of and reliance on this Agreement or of the creation of the Indebtedness;

b. presentment, demand, dishonor, protest, notice of non-payment and notice of dishonor of the Indebtedness;

c. notice of transfer or assignment of the Indebtedness and this Agreement; and

d. all notices required by statute or otherwise to preserve any rights against Guarantor hereunder, including, without limitation, any demand, proof, or notice of non-payment of any of the Indebtedness by Debtor and notice of any failure or default on the part of Debtor to perform or comply with any term of the Indebtedness.

Section 5. Subrogation. Until such time as the Indebtedness has been paid and performed in full and the provisions of this Agreement are no longer in effect, Guarantor shall not exercise any right to subrogation, reimbursement or contribution against Debtor nor any right to subrogation, reimbursement or indemnity against any property or other security serving at any time as collateral for any or all of the Indebtedness, all of which rights of subrogation, reimbursement, contribution and indemnity Guarantor subordinates to the full and punctual payment and performance of the Indebtedness.

Section 6. Subordination. Should Guarantor for any reason advance or lend monies to Debtor, whether or not the funds are used by Debtor to reduce the Indebtedness, Guarantor hereby agrees that any and all rights that Guarantor may have or acquire to collect from, or be reimbursed by, Debtor shall be subordinate to the rights of Company to collect and enforce the payment and performance of the Indebtedness, until such time as the Indebtedness has been fully paid and performed and the provisions of this Agreement are no longer in effect.

Section 7. Remedies. Upon the failure to pay or perform any of the Indebtedness when due (whether by acceleration or otherwise), Company, subject to the provisions of this Agreement, may institute a judicial proceeding for the collection of the sums or the performance of the Indebtedness so due and unpaid or unperformed, and may prosecute the proceeding to judgment for final decree, and may enforce the same against Guarantor and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of Guarantor, wherever situated. In the event of such a failure, Company shall have the right to proceed first and directly against Guarantor without proceeding against Debtor or any other person, without exhausting any other remedies that it may have and without resorting to any other security held by Company.

Section 8. Enforcement Expenses. Guarantor agrees to indemnify and hold Company harmless against any loss, liability, or expense, including their reasonable attorneys' fees, accounting fees and other costs and disbursements that may result from Debtor's failure to pay or perform any of the Indebtedness when and as due and payable or that may be incurred in enforcing any obligation of Debtor or Guarantor.

Section 9. Notices. All communications required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given on the earlier of (a) the date when delivered by hand; (b) one business day after delivery to a reputable national overnight delivery service; or (c) 4 business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. Notices shall be addressed in the manner shown on **Schedule A**, provided either party may change its address for receiving notices by appropriate written notice to the other.

Section 10. Amendment. Neither this Agreement nor any provisions hereof may be changed, waived, discharged or terminated orally or in any manner other than by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

Section 11. Waivers. No course of dealing on the part of Company, its officers, employees, consultants or agents, nor any failure or delay by Company with respect to exercising any of rights, powers or privileges under this Agreement shall operate as a waiver thereof.

Section 12. Cumulative Rights. The rights and remedies of Company under this Agreement, the Indebtedness and any ancillary or related document shall be cumulative, and the exercise or partial exercise of any such right or remedy shall not preclude the exercise of any other right or remedy.

Section 13. Titles of Articles, Sections and Subsections. All titles or headings to articles, sections, subsections or other divisions of this Agreement are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 14. Singular and Plural. Words used herein in the singular, where the context so permits, shall be deemed to include the plural and vice versa. The definitions of words in the singular herein shall apply to such words when used in the plural where the context so permits and vice versa.

Section 15. Dispute Resolution. The parties adopt and incorporate by reference as part of this Agreement the Dispute Resolution provisions set forth in **Schedule B**.

Section 16. Successors and Assigns.

a. All covenants and agreements by or on behalf of Guarantor in this Agreement shall bind Guarantor's heirs, successors and assigns and shall inure to the benefit of Company and its successors and assigns.

b. This Agreement is for the benefit of Company and for such other person or persons as may from time to time become or be the holders of any of the Indebtedness, and this Agreement shall be transferable and negotiable, with the same force and effect and to the same extent as the Indebtedness may be transferable, it being understood that, any holder of the Indebtedness shall have under this Agreement, upon the transfer of the Indebtedness, all of the rights of such granted to Company.

IN WITNESS WHEREOF, Guarantor has caused this Agreement to be duly executed as of the date first written above.

**Guarantor:**

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

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Company executes this Agreement to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule B**.

**Company:**

**South Bay Soup Corporation**

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

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

## SCHEDULE C TO FRANCHISE AGREEMENT

### ADDENDUM TO LEASE

DATED \_\_\_\_\_ (“Lease”)

BY AND BETWEEN \_\_\_\_\_ (“Landlord”)

AND \_\_\_\_\_ (“Tenant or Franchisee”)

RE: RIGHTS OF SOUTH BAY SOUP CORPORATION (“Company”)

I. WHEREAS, Company and Tenant are parties to a certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”), pursuant to which Company has granted Franchisee a franchise and license to use the Jazen Tea® System and the Jazen Tea® Marks in operating a Stand-Alone Jazen Tea® Shop on the terms and conditions stated in the Franchise Agreement; and

II. WHEREAS, Company has approved Franchisee’s request to locate its Stand-Alone Jazen Tea® Shop in certain premises (“Premises”) owned by Landlord that is the subject of the Lease attached hereto as **Schedule A**, provided that the conditions and agreements set forth in this Addendum are made a part of the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

A. Assignment of Lease. Franchisee irrevocably assigns and transfers to Company all of Franchisee’s right, title, and interest in and to the Lease and all options contained therein. This assignment may not be revoked without the prior written consent of Company. The parties acknowledge that, until Company accepts the assignment made by Franchisee, Company has no obligations, liabilities, or responsibilities under the Lease of any kind, including, without limitation, as a guarantor or indemnitor of Tenant’s obligations to Landlord. Company’s signature below does not create or impose any obligations upon Company.

B. Use of Property. The Premises shall be used solely for the operation of a Stand-Alone Jazen Tea® Shop. Company may enter the Premises at any time to inspect Franchisee’s operations and engage in all activities expressly permitted by the Franchise Agreement.

C. Default in Franchise Agreement. Franchisee’s default under the Franchise Agreement for any reason shall constitute an event of default under the Lease, which can only be cured if the Franchise Agreement default is timely cured by Franchisee. For informational purposes only, Company shall serve Landlord with a copy of any notice of default, breach or termination of the Franchise Agreement at the same time it serves Franchisee with such notice. Nothing in this Addendum gives Landlord a right to cure the breach or default or succeed to Franchisee’s rights under the Franchise Agreement.

D. Notices to Company. Landlord shall serve Company with a copy of any notice of default, breach or termination of Lease at the same time it serves Franchisee with such notice.

E. Incorporation by Reference. Landlord and Franchisee expressly incorporate the terms of this Addendum as part of the Lease.



F. Default by Franchisee. Landlord agrees not to terminate the Lease based on Franchisee's breach or default until it has given Company written notice identifying the breach or default and, a reasonable period of time, which shall be at least ten (10) days, to cure the breach or default. If Company chooses not to cure the breach or default, Landlord may terminate the Lease in the manner provided in the Lease, but shall have no remedy against Company. Company's decision not to cure the breach of default shall not prejudice Company's right to accept an assignment of the Lease following its termination by Landlord subject to the conditions stated in this Addendum.

G. Acceptance of Assignment by Company.

1. Company may accept the assignment of the Lease at any time before the Lease expires if: (a) Company terminates the Franchise Agreement for any reason, or (b) Landlord terminates the Lease based upon Franchisee's breach or default that has not been cured within the period (if any) allowed by the Lease. To accept the assignment, Company must give written notice to Landlord and Franchisee within 10 days after the termination of the Franchise Agreement or Lease (depending upon the event giving rise to Company's right to accept an assignment of the Lease).

2. With respect to an uncured breach or default under the Lease, the parties agree that if Company accepts an assignment, Company must fully cure a default arising out of Franchisee's failure to pay rent or other sums due to Landlord ("monetary default") before Company may occupy the Premises. However, if the default arises out of Franchisee's failure to perform any other type of obligation ("non-monetary default"), Company may occupy the Premises immediately upon accepting the assignment and shall thereafter have a reasonable period of time in light of the nature of the non-monetary default in which to cure the non-monetary default provided Company must act diligently to cure the non-monetary default as expeditiously as possible under the circumstances.

3. If Company accepts the assignment, at Company's election, from and after the date of acceptance: (i) Company shall have all of the rights of Franchisee under the Lease and Franchisee shall be deemed to be a sublessee of Company on the terms and conditions contained in this Lease; (ii) Company shall have the right to assign or sublet all of any part of its interest in the Lease or in the Premises to another Stand-Alone Jazen Tea® Shop Franchisee without Landlord's prior consent; and (iii) Company shall be liable to perform only the obligations of Franchisee under the Lease arising from and after the date of Company's acceptance of the assignment and, except for curing a monetary or non-monetary default, shall have no other liability for obligations under the Lease arising before Company's acceptance of the assignment.

H. Landlord's Agreements. In addition to agreements stated elsewhere in this Addendum, for the benefit of Company, Landlord agrees not to (a) accept Franchisee's voluntary surrender of the Lease without prior notice to Company, or (b) amend the Lease without Company's prior written consent.

I. Communications. Any notices required in this Addendum must be in writing and will be deemed given when actually delivered by personal delivery or four (4) days after being sent by certified or registered mail, return receipt requested, if addressed as follows:

Company: South Bay Soup Corporation  
1420 Fulton Avenue, Building B  
Sacramento, CA 95825  
Attn: President

Landlord: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Tenant: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any party may change its address for receiving notices by appropriate written notice to the other.

J. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party hereto. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Company, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party.

K. WAIVER OF JURY TRIAL. LANDLORD, TENANT AND COMPANY HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM, OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER LANDLORD, TENANT OR COMPANY ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS ADDENDUM, THE RELATIONSHIP OF LANDLORD, TENANT AND COMPANY, THE USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE NOW OR HEREAFTER IN EFFECT.

*[Signature page follows]*

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as of \_\_\_\_\_, \_\_\_\_\_.

|                    |  |
|--------------------|--|
| <b>COMPANY:</b>    | South Bay Soup Corporation<br><br>By: _____<br>_____ |
| <b>LANDLORD:</b>   | _____<br><br>By: _____<br>_____                      |
| <b>FRANCHISEE:</b> | _____<br><br>By: _____<br>_____                      |

**SCHEDULE D TO FRANCHISE AGREEMENT**

**FRANCHISEE'S COVERED PERSONS AS OF THE EFFECTIVE DATE**

Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Relationship to Franchisee: \_\_\_\_\_

Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Relationship to Franchisee: \_\_\_\_\_

Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Relationship to Franchisee: \_\_\_\_\_

Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Relationship to Franchisee: \_\_\_\_\_

**SCHEDULE E**  
**SPOUSAL CONSENT**

The undersigned is the spouse of \_\_\_\_\_,

☐ The party identified as "Franchisee" in that certain Franchise Agreement dated \_\_\_\_\_ ("Franchise Agreement") by and between South Bay Soup Corporation ("Company") and Franchisee.

☐ \_\_\_\_\_, a Personal Guarantor who has entered into a Personal Guaranty of the obligations of \_\_\_\_\_, the Franchisee under that certain Franchise Agreement dated \_\_\_\_\_ ("Franchise Agreement") by and between South Bay Soup Corporation ("Company") and Franchisee.

I hereby give my consent to my spouse's execution of the Franchise Agreement, Personal Guaranty, or both, depending on the box or boxes that I have marked off, and I agree that the actions and the obligations undertaken by my spouse under the referenced contract(s) shall be binding on the marital community and any interest I may have in any rights awarded to my spouse.

I declare that I have had the opportunity to request a copy of, and fully and carefully read, the Franchise Agreement, Personal Guaranty, or both, depending on the box or boxes that I have marked off, and have furthermore had the opportunity to seek the advice of independent counsel with respect to this Consent.

Dated: \_\_\_\_\_

Signature of Spouse: \_\_\_\_\_

Print Name: \_\_\_\_\_

## SCHEDULE F

### SOUTH BAY SOUP CORPORATION

#### COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, ADDRESSES, LISTINGS AND ASSUMED OR FICTITIOUS BUSINESS NAME

This Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name ("**Assignment**") is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ ("**Effective Date**") in accordance with the terms of that certain Franchise Agreement ("**Franchise Agreement**") between the person(s) or entity identified on the signature block of this Assignment as "**Franchisee**" and **SOUTH BAY SOUP CORPORATION**, a California corporation, the entity identified on the signature block of this Assignment as "**Company**."

This Assignment is being executed concurrently with the Franchise Agreement pursuant to which Company has granted Franchisee a franchise and license to use the Jazen Tea® System and Jazen Tea® Marks (which together are referred to in this Assignment as "**Company's IP**") in the operation of a Stand-Alone Jazen Tea® Shop at a specific location ("**Franchised Shop**"). The Effective Date of this Assignment is the same as the Effective Date of the Franchise Agreement.

**FOR VALUE RECEIVED**, Franchisee hereby irrevocably and unconditionally assigns and transfers to Company all of Franchisee's right, title, and interest in and to those certain telephone numbers, addresses, domain names, locators, directories, listings, and assumed or fictitious business names (collectively, the "**Numbers, Addresses, Listings and Names**") that Franchisee has used or is using in connection with the operation of the Franchised Shop on the effective date of termination or expiration of the Franchise Agreement. This Assignment may not be revoked without the prior written consent of Company. The parties agree that this Assignment is for collateral purposes only and does not impose on Company any liability or obligation of any kind to Franchisee or any third party arising from or in connection with the operation of the Franchised Shop or Franchisee's acts or omissions. Company's execution of this Assignment does not create or impose any express or implied obligations upon Company pertaining to the Numbers, Addresses, Listings and Names used by Franchisee on or before the effective date of termination or expiration of the Franchise Agreement. Furthermore, nothing in this Assignment is intended to, or shall, modify Franchisee's indemnity agreement in the Franchise Agreement.

Upon termination or expiration of the Franchise Agreement (without renewal or extension) and in accordance with the requirements of the Franchise Agreement, Franchisee shall immediately cease using the Numbers, Addresses, Listings and Names and shall notify the telephone, Internet, email, electronic network, directory, and listing entities with which Franchisee has dealt (all such entities are collectively referred to herein as "**Provider Companies**") to effectuate the assignment and transfer of Franchisee's interest in the Numbers, Addresses, Listings and Names to Company pursuant to the terms of this Assignment. If Franchisee fails to do so, Franchisee agrees that this Assignment gives Company the absolute and unconditional authority to direct the Provider Companies on Franchisee's behalf to effectuate the assignment and transfer of the Numbers, Addresses, Listings and Names to Company upon termination or expiration of the Franchise Agreement. The parties agree that the Provider Companies may accept Company's written notice, the Franchise Agreement or this Assignment as conclusive proof of Company's exclusive rights in and to the Numbers, Addresses, Listings, and Names as of the effective date of termination or expiration of the Franchise Agreement. The parties further agree that, if the Provider Companies require that the parties execute the Provider Companies'

own assignment forms or other transfer documents following termination or expiration of the Franchise Agreement, Company's execution of those forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment.

By accepting the assignment of the Numbers, Addresses, Listings, and Names, Company shall not thereby become liable to the Provider Companies for any obligation of Franchisee pertaining to the period before the effective date of the assignment. Upon accepting an assignment, Company may, in Company's discretion, notify the Provider Companies to cancel any or all of the Numbers, Addresses, Listings, and Names without Company thereby becoming liable to the Provider Companies for Franchisee's obligations.

Franchisee hereby appoints Company as Franchisee's true and lawful attorney-in-fact to direct the Provider Companies to assign the Numbers, Addresses, Listings, and Names to Company, and to execute such documents and take such actions as may be necessary to effectuate the assignment.

The parties agree that at any time after the date of this Assignment they will perform all additional acts and execute and deliver any documents as may be necessary to assist in or accomplish the purpose of this Assignment described herein upon termination or expiration of the Franchise Agreement.

IN WITNESS WHEREOF, the parties have signed this Assignment as of the Effective Date.

Company:

Franchisee:

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**SCHEDULE G**  
**SOUTH BAY SOUP CORPORATION**  
**SBA ADDENDUM**





## ADDENDUM TO FRANCHISE<sup>1</sup> AGREEMENT

**THIS ADDENDUM** ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_ ("Company"), located at \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ ("Franchisee"), located at \_\_\_\_\_.

Company and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20, \_\_\_\_ (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Company requires Franchisee to sign:

### CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Company has an option to purchase or a right of first refusal with respect to that partial interest, Company may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Company's consent is required for any transfer (full or partial), Company will not unreasonably withhold such consent. In the event of an approved transfer of the [enter type of] interest or any portion thereof, the transferor will not be liable for the actions of the transferee Franchisee.

### FORCED SALE OF ASSETS

- If Company has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchisee location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the [enter type of] term (excluding additional renewals) for fair market value.

### COVENANTS

- If the Franchisee owns the real estate where the franchisee location is operating, Company has not and will not during the term of the Franchise Agreement record against

<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

## **EMPLOYMENT**

- Company will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Company.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Company and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

### **Authorized Representative of COMPANY:**

By:\_\_\_\_\_

Print Name:\_\_\_\_\_

Title:\_\_\_\_\_

### **Authorized Representative of FRANCHISEE:**

By:\_\_\_\_\_

Print Name:\_\_\_\_\_

Title:\_\_\_\_\_

**Note to Parties:** This Addendum only addresses "affiliation" between Company and Franchisee. Additionally, the applicant Franchisee and the Franchise Agreement system must meet all SBA eligibility requirements.

## **EXHIBIT D**

### **CO-BRANDING ADDENDUM TO THE PHỞ HÒA® FRANCHISE AGREEMENT**

**SOUTH BAY SOUP CORPORATION**

**CO-BRANDING ADDENDUM TO THE**  
**PHỞ HÒA® FRANCHISE AGREEMENT**

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**SOUTH BAY SOUP CORPORATION**  
**CO-BRANDING ADDENDUM TO THE**  
**PHỞ HÒA® FRANCHISE AGREEMENT**

This Co-Branding Addendum ("Co-Branding Addendum") is entered into on \_\_\_\_\_, \_\_\_\_\_ ("Effective Date") by and between South Bay Soup Corporation, a California corporation ("Company"), and \_\_\_\_\_ ("Franchisee") with reference to the following facts:

**R E C I T A L S**

A. Company and Franchisee either are parties to that certain Phở Hòa® Restaurant Franchise Agreement with an effective date of \_\_\_\_\_ or are concurrently entering into that certain Phở Hòa® Restaurant Franchise Agreement with the same Effective Date as this Co-Branding Addendum (in either case, the Phở Hòa® Restaurant Franchise Agreement is referred to as the "Franchise Agreement").

B. The Franchise Agreement awards Franchisee a license to use the "Phở Hòa® System" and the "Phở Hòa® Marks" in the operation of a Phở Hòa® Restaurant.

C. Company separately owns the right to operate, and license third parties to operate, retail establishments featuring specialty fruit teas, fruit smoothies, and "bubble" style milk teas made with proprietary brewed high quality Taiwanese green tea leaves that are identified to the public by the Jazen Tea® Marks and operate following distinctive business processes and systems collectively referred to as the Jazen Tea® System.

D. Company licenses [qualified third party] the right to open and operate stand-alone Jazen Tea® shops (collectively referred to as "Stand-Alone Jazen Tea® Shops").

E. Company also offers co-branding licenses to eligible Phở Hòa® Restaurant franchisees permitting them to offer Core Jazen Tea® Menu Items and use the Jazen Tea® Marks, signs and branding elements in operating their Phở Hòa® Restaurant. Where relevant, this Co-Branding Addendum refers to co-branded Phở Hòa® Restaurants as "Co-Branded Phở Hòa® Restaurants" to distinguish them from Stand-Alone Jazen Tea® Shops and from Stand-Alone Phở Hòa® Restaurants. When Company awards co-branding rights to a Phở Hòa® Restaurant Franchisee, Company and the Phở Hòa® Restaurant Franchisee enter into a Co-Branding Addendum to amend the Franchise Agreement.

F. Franchisee has applied to Company for the right and license to develop or expand its Phở Hòa® Restaurant to include the offer and sale of Core Jazen Tea® Menu Items and to use the Jazen Tea® Marks, signs and branding elements and be designated a Co-Branded Phở Hòa® Restaurant.

G. Company is willing to award Franchisee the right and license to operate its Phở Hòa® Restaurant as a Co-Branded Phở Hòa® Restaurant on the terms of this Co-Branding Addendum which sets forth additional terms and conditions specifically applicable to co-branding operations.

NOW, THEREFORE, the parties agree as follows:

I. PURPOSE

A. The purpose of this Co-Branding Addendum is to amend the Franchise Agreement in order to set forth additional terms and conditions relevant to the co-branding license and to authorize Franchisee to sell Core Jazen Tea® Menu Items and use the Jazen Tea® Marks and Jazen Tea® System in operating the Franchised Business. Except as modified by this Co-Branding Addendum, the terms and conditions of the Franchise Agreement shall continue in full force and effect.

B. If this Co-Branding Addendum is entered into concurrently with the Franchise Agreement, then both the Co-Branding Addendum and Franchise Agreement have the same Effective Date and the Opening Date of the Franchised Business is the Co-Branding Opening Date. However, if this Co-Branding Addendum is entered into after the Franchise Agreement, then the Opening Date and Co-Branding Opening Date may be different dates and, in that case, the parties understand and agree that certain provisions in the Franchise Agreement may have already taken place, like site selection.

II. DEFINITIONS

The parties recognize that capitalized words or phrases are considered to be defined terms. The parties expressly incorporate into this Co-Branding Addendum all definitions in the Franchise Agreement that are not expressly amended by this Co-Branding Addendum. The parties recognize that certain definitions appear in the body of this Co-Branding Addendum. Finally, any other capitalized terms used in this Co-Branding Addendum shall have the following definitions. In some cases, these definitions amend definitions of the same term in the Franchise Agreement:

A. “Co-Branding Franchise” means the right to own and operate a Co-Branded Phở Hòa® Restaurant on the terms of a Phở Hòa® Franchise Agreement as amended by the Co-Branding Addendum.

B. “Co-Branding Franchisee” means a franchisee that is licensed by Company to operate a Co-Branded Phở Hòa® Restaurant.

C. “Co-Branding Opening Date” is the date on which the Franchised Business opens for business to the public as a Co-Branded Phở Hòa® Restaurant and begins offering Core Jazen Tea® Menu Items for sale in addition to the customary Phở Hòa® Menu Items. The Co-Branding Opening Date may be the same date as the Opening Date or a later date.

D. The definition of “Competitive Business” is amended in its entirety to mean any business that either:

1. Derives more than 50% of its sales or revenue from the sale of Vietnamese-style noodle soups either at retail or wholesale or, in its entirety, so resembles the trade dress, service style and menu items that comprise the distinguishing features of the Phở Hòa® System as to create a likelihood of consumer confusion or dilution of the Phở Hòa® Marks; or

2. Derives more than 50% of its revenue from the manufacture, sale or distribution of Asian-style “bubble” drinks at retail or wholesale regardless of whether the

competitive business only sells one type of beverage sold at Stand-Alone Jazen Tea® Shops (e.g., fruit smoothies) and is not as extensive or diverse as all of the beverages included in the then-current Jazen Tea® Menu Items, or, in its entirety, so resembles the trade dress, service style and menu items that comprise the distinguishing features of the Jazen Tea® System as to create a likelihood of consumer confusion or dilution of the Jazen Tea® Marks.

E. The definition of “Confidential Information” is amended to include, in addition to the information or knowledge identified as Confidential Information in the Franchise Agreement, all of the following information and knowledge: (i) ingredients, raw materials, recipes and food and beverage preparation processes for Jazen Tea® Menu Items; (ii) Company’s relationships with suppliers of ingredients for the preparation of Jazen Tea® Menu Items or equipment or supplies used in their preparation or sale; (iii) sales, profit performance or other results of operations of any Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant, including Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants owned and operated by Company’s Affiliates or Company’s Affiliates’ licensees; (iv) demographic data for determining sites and territories of Stand-Alone Jazen Tea® Shops or Co-Branded Phở Hòa® Restaurants; (v) the results of surveys and promotional programs involving one or more Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant; and (vi) in general, methods, trade secrets, specifications, customer data, pricing and cost data, procedures, information systems, ideas, research, methods and knowledge about the operation of Stand-Alone Jazen Tea® Shops, Stand-Alone Phở Hòa® Restaurants or Co-Branded Phở Hòa® Restaurants, the Jazen Tea® System or the Phở Hòa® System, whether it is now known or exists or is acquired or created in the future, and whether or not the information is included in the Manuals, the subject of registration or copyright (or suitable for registration or copyright), or information which Company expressly designates as Confidential Information. Except as amended, the definition of Confidential Information in the Franchise Agreement shall continue in full force and effect.

F. “Core Jazen Tea® Menu Items” mean the specific Jazen Tea® Menu Items designated in the JT Manual that Company authorizes for sale at a Co-Branded Phở Hòa® Restaurant.

G. The definition of “Covered Area” is amended in its entirety to mean anywhere within a 10 mile radius measured from any of the following places: (i) the Authorized Location; (ii) each and every Stand-Alone Jazen Tea® Shop located anywhere in the world regardless of whether the Stand-Alone Jazen Tea® Shop opens before or after the Effective Date of Termination or Expiration of the Franchise Agreement or is owned and operated by a Stand-Alone Jazen Tea® Shop Franchisee, a Co-Branding Franchisee, or by Company, Company’s Affiliates or Company’s Affiliates’ licensee; and (iii) each and every Phở Hòa® Restaurant located anywhere in the world regardless of whether the Phở Hòa® Restaurant opens before or after the Effective Date of Termination or Expiration of the Franchise Agreement, is a Stand-Alone Phở Hòa® Restaurant or Co-Branded Phở Hòa® Restaurant, or is owned by a Phở Hòa® Restaurant Franchisee, a Co-Branding Franchisee, or by Company, Company’s Affiliates or Company’s Affiliates’ licensee.

H. The definition of “Disclosure Document” is amended to also include the Disclosure Document that Franchisee acknowledges that it received before executing this Co-Branding Addendum or paying any consideration for the co-branding rights to Company or Company’s Affiliates.

I. “Effective Date” is the date indicated on page 1 of this Co-Branding Addendum.



J. The definition of “Franchised Business” is amended in its entirety to mean the specific Co-Branded Phở Hòa® Restaurant owned and operated by Franchisee pursuant to this Co-Branding Addendum and the Franchise Agreement.

K. “Gross Sales” means the aggregate of all revenue and income from operating the Franchised Shop, including the actual proceeds received from all sales of food, beverages or other goods, merchandise or services, whether payment is in cash, by credit card, gift cards, or other generally accepted form of payment. Gross Sales also include all proceeds from any business interruption insurance, revenue from the sale of menu items to employees, and the value of products and services bought by customers by redeeming authorized gift cards. Excluded from Gross Sales are: (i) sales taxes and other taxes separately stated and collected from customers and pay to taxing authorities; (ii) refunds and credits made in good faith to arms’ length customers; (iii) the amount of any checks dishonored or returned and the amount of any charge backs or reversals of credit card transactions with customer; (iv) proceeds from the sale of gift cards; (v) proceeds from isolated sales of trade fixtures having no material effect on ongoing operations; (vi) employee tips; and (vii) the value of menu items furnished at no cost to employees.

L. “Jazen Tea® Marks” collectively means all of the trademarks, service marks, trade names, brand names, logos, trade dress and other proprietary indicia of goods and services, whether registered, unregistered or arising by Applicable Law, and all registrations and applications for registration of trademarks, including intent-to-use applications, and all issuances, extensions and renewals of registrations and applications that Company now or hereafter uses to identify, advertise or promote Stand-Alone Jazen Tea® Shops or Co-Branded Phở Hòa® Restaurants and expressly authorizes or requires Franchisee to use as a condition of this Co-Branding Addendum.

M. “Jazen Tea® Menu Items” mean collectively all of the specialty beverages and foods designated in the JT Manual that Company authorizes for sale at a Stand-Alone Jazen Tea® Shop. Jazen Tea® Menu Items may be more extensive than Core Jazen Tea® Menu Items.

N. “Jazen Tea® System” means, collectively, the distinctive business methods for the development and operation of Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants and sale of Jazen Tea® Menu Items that Company designates and may modify in its sole discretion at any time, including, without limitation, specialized recipes; processes for handling, preparing, presenting and serving foods and beverages to the public; distinctive trade dress specifications; retail operating procedures; marketing strategies; standards for customer service; record keeping and financial and operational reporting; requirements regulating the use of the Jazen Tea® Marks; and Confidential Information.

O. “JT Manual” refers specifically and collectively to the confidential operating and recipe manuals and other written instructional materials loaned or delivered to Franchisee in confidence during the Term of this Co-Branding Addendum pertaining to the sale of Jazen Tea® Menu Items or the use of the Jazen Tea® Marks and Jazen Tea® System.

P. The definition of “Local Advertisements” is amended to include, without limitation, all communications which Franchisee creates or adapts and intends to use, directly or indirectly, to advertise and promote the Franchised Business or Franchisee’s status as an authorized Co-Branding Franchisee or which display the Jazen Tea® Marks. Except as amended, the definition of Local Advertisements in the Franchise Agreement shall continue in full force and effect.

Q. The definition of “Manual” is amended in its entirety to mean collectively the JT Manual and the manuals and instructions furnished under the Franchise Agreement.

R. “Non-Proprietary Products” refer to all equipment, supplies, ingredients, raw materials, products, merchandise, and materials authorized by Company which Franchisee may, or must, use, offer, sell or promote in operating the Franchised Business that are not Proprietary Products.

S. The definition of “Opening Date” is amended in its entirety to specifically mean the date on which the Franchised Business actually opens for business to the public selling just the foods and beverages authorized for sale at Stand-Alone Phở Hòa® Restaurants. The Opening Date is the same date as the Co-Branding Opening Date if the Franchised Business begins selling Core Jazen Tea® Menu Items and Phở Hòa® Menu items on the same date.

T. “Operating Year” as used in this Co-Branding Addendum means each 12-Calendar Month period during the Term of this Co-Branding Addendum beginning on the Co-Branding Opening Date.

U. “Phở Hòa® Franchise Agreement” refers to the particular form of franchise agreement that a Phở Hòa® Restaurant Franchisee or Co-Branding Franchise enters into with Company in connection with the award of a Phở Hòa® Restaurant franchise.

V. “Phở Hòa® Menu Items” means collectively the customary menu items sold at Stand-Alone Phở Hòa® Restaurants.

W. “Phở Hòa® Restaurant Franchisee” means a franchisee that is licensed to operate a Stand-Alone Phở Hòa® Restaurant and excludes a Co-Branding Franchisee.

X. The definition of “Proprietary Products” is amended to include any ingredients, supplies, uniforms, specially-configured equipment or computer hardware and software applications or other merchandise that Franchisee must use or sell to operate the Franchised Business in accordance with the Jazen Tea® System or which display the Jazen Tea® Marks or are manufactured or produced in accordance with specifications and sold only by Company or its designated suppliers which may include Company’s Affiliates. Except as amended, the definition of Proprietary Products in the Franchise Agreement shall continue in full force and effect.

Y. “Stand-Alone Jazen Tea® Shop” means a retail location that is authorized to sell Jazen Tea® Menu Items only.

Z. “Stand-Alone Jazen Tea® Shop Franchise” means the right to own and operate a Stand-Alone Jazen Tea® Shop under a license from Company.

AA. “Stand-Alone Jazen Tea® Shop Franchisee” means a franchisee that is licensed by Company to operate a Stand-Alone Jazen Tea® Shop.

BB. “Stand-Alone Phở Hòa® Restaurant” means a Phở Hòa® Restaurant that is not licensed to operate as a Co-Branded Phở Hòa® Restaurant.

CC. “Term” for purposes of this Co-Branding Addendum means the period starting on the Effective Date and expiring at the end of five complete Operating Years measured from the Co-Branding Opening Date, unless this Co-Branding Addendum is terminated sooner pursuant

to the provisions in this Co-Branding Addendum. For example, if the Effective Date is April 1, 2016 and the Co-Branding Opening Date is September 1, 2016, then the Term of this Co-Branding Addendum would expire on August 31, 2021.

DD. "Term Extension Fee" is the fee payable to Company in order to amend the Term of the Franchise Agreement, if applicable, so that the Term of the Franchise Agreement and the Term of this Co-Branding Addendum expire on the same date.

### III. GRANT

#### A. Award of Co-Branding Rights.

1. Company hereby awards to Franchisee, and Franchisee accepts, the right and license to sell Core Jazen Tea® Menu Items and use the Jazen Tea® System and Jazen Tea® Marks in connection with the operation of the Franchised Business at the Authorized Location, subject to the terms and conditions of the Franchise Agreement as amended by this Co-Branding Addendum. By accepting this co-branding license, Company hereby designates the Franchised Business as a Co-Branded Phở Hòa® Restaurant and Franchisee as a Co-Branding Franchisee. Franchisee understands and agrees that this license permits the sale of Core Jazen Tea® Menu Items only which may be less than the full range of Jazen Tea® Menu Items.

2. By entering into this Co-Branding Addendum, Franchisee ratifies that all personal guarantees, confidentiality agreements, spousal consents, and the Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name previously delivered to Company are in full force and effect and shall apply to the rights and obligations of Franchisee under the Franchise Agreement as amended by this Co-Branding Addendum and survive the termination of the Franchise Agreement as amended by this Co-Branding Addendum.

3. In accepting the award of co-branding rights, Franchisee agrees at all times to faithfully, honestly and diligently perform its obligations under the Franchise Agreement as amended by this Co-Branding Addendum and to continuously exert its best efforts to promote and enhance the Franchised Business and the goodwill associated with the Phở Hòa® Marks and Phở Hòa® System and the Jazen Tea® Marks and the Jazen Tea® System.

B. Limitations. The parties amend the Franchise Agreement to provide that the section titled "Limitations" applies equally in every respect to the Jazen Tea® System and Jazen Tea® Marks and, unless this Co-Branding Addendum modifies the provisions in the section titled "Limitations," the provisions of that section shall continue in full force and effect without the need for restating those provisions in their entirety.

1. Company grants Franchisee no rights other than the rights expressly stated in the Franchise Agreement as amended by this Co-Branding Addendum. Franchisee's use of the Jazen Tea® System or Jazen Tea® Marks for any purpose, or in any manner, not permitted by this Co-Branding Addendum shall constitute a breach of the Franchise Agreement as amended by this Co-Branding Addendum.

2. The franchise and license awarded to Franchisee by this Co-Branding Addendum apply to the Authorized Location, and to no other location.

3. Nothing in this Co-Branding Addendum gives Franchisee the right to grant sublicenses to others permitting use of the Jazen Tea® Marks or Jazen Tea® System.

4. Franchisee shall not maintain its own World Wide Web site or otherwise maintain a presence or advertise the Franchised Business or use the Jazen Tea® Marks in any domain name or on any public computer network except with Company's prior written consent.

C. Improvements; Duty to Conform to Modifications. The parties amend the Franchise Agreement to provide that the section titled "Improvements; Duty to Conform to Modifications" applies equally to the Jazen Tea® System and Jazen Tea® Marks and, unless this Co-Branding Addendum modifies the provisions in the section titled "Improvements; Duty to Conform to Modifications", the provisions of that section shall continue in full force and effect without the need for restating those provisions in their entirety. Franchisee furthermore agrees that:

1. Nothing in this Co-Branding Addendum shall constitute or be construed as Company's consent or permission to Franchisee to modify the Jazen Tea® System and any modification which Franchisee desires to propose or make shall require Company's prior written consent.

2. Any goodwill resulting from Franchisee's use of the Jazen Tea® Marks or the Jazen Tea® System shall inure to the exclusive benefit of Company. This Co-Branding Addendum confers no goodwill or other interest in the Jazen Tea® Marks or the Jazen Tea® System upon Franchisee, except a license to use the Jazen Tea® Marks and the Jazen Tea® System during the Term subject to the terms and conditions stated in the Franchise Agreement as amended by this Co-Branding Addendum.

3. Franchisee understands and agrees that Company may modify the Jazen Tea® System from time to time as often as, and in the manner that, Company believes, in its sole discretion, is necessary and in Company's best interests to best promote Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants to the public. Company shall give Franchisee written notice of all changes to the Jazen Tea® System. Franchisee shall, at its own cost and expense, promptly adopt and use only those parts of the Jazen Tea® System specified by Company and shall promptly discontinue the use of those parts of the Jazen Tea® System which Company directs are to be discontinued. Franchisee shall not change, modify or alter the Jazen Tea® System in any way, except as Company directs.

D. Deviations. Company may allow other Stand-Alone Jazen Tea® Shop Franchisees and Co-Branding Franchisees and licensees to deviate from the Jazen Tea® System in individual cases in the exercise of Company's sole discretion. Franchisee understands and agrees that it has no right to object to any variances that Company may allow to itself, Company's Affiliates or other franchisees or licensees, and has no claim against Company for not enforcing the standards of the Jazen Tea® System uniformly. Franchisee understands and agrees that Company has no obligation to waive, make any exceptions to, or permit Franchisee to deviate from, the uniform standards of the Jazen Tea® System. Any exception or deviation that Company does allow Franchisee must be stated in writing and executed by Company in order to be enforceable against Company.

#### IV. TERM AND RENEWAL OPTIONS

##### A. Amendment of Term of Franchise Agreement.

1. Franchisee understands and agrees that it is a material condition of this Co-Branding Addendum that the Term of this Co-Branding Addendum and the Term of the Franchise Agreement expire on the same date. Franchisee understands that the Term of this Co-Branding Addendum will expire at the end of five complete Operating Years measured from the Co-Branding Opening Date and the Term of the Franchise Agreement will expire at the end of five complete Operating Years measured from the Opening Date as those terms are defined in the Franchise Agreement. If the parties know or have reason to believe that the Co-Branding Opening Date will occur after the Opening Date, then they hereby amend the Franchise Agreement in order to extend the then-current Term of the Franchise Agreement so that it expires on the same date as the Term of this Co-Branding Addendum, unless both terminate earlier.

2. If the parties determine that it is necessary to extend the Term of the Franchise Agreement, Franchisee shall immediately pay Company a Term Extension Fee in the amount shown below, which amount shall depend on the length of the extension period which, in turn, depends on when the Co-Branding Opening Date occurs relative to the Opening Date. The Term Extension Fee shall be due and payable upon Franchisee's execution of this Co-Branding Addendum if the parties know or have reason to believe on the Effective Date of this Co-Branding Addendum that the Co-Branding Opening Date will occur after the Opening Date; otherwise, the Term Extension Fee shall be due and payable within 5 days after written notice from Company:

| Extension Period  | Term Extension Fee |
|---|--------------------|
| If the total number of Calendar Months in the extension period is less than 12 complete Calendar Months                                   | \$1,500            |
| If the total number of Calendar Months in the extension period is 12 Calendar Months or longer, but less than 24 complete Calendar Months | \$3,000            |
| If the total number of Calendar Months in the extension period is 24 Calendar Months or longer, but less than 36 complete Calendar Months | \$5,000            |
| If the total number of Calendar Months in the extension period is 36 Calendar Months or longer, but less than 48 complete Calendar Months | \$7,000            |
| If the number of months in the extension period is 48 months or longer  | \$9,000            |

3. If Franchisee enters into this Co-Branding Addendum in connection with renewing the Franchise Agreement, the parties hereby amend the Franchise Agreement so that Franchisee will have the same number of Renewal Options under the Franchise Agreement as provided for in this Co-Branding Addendum so that Franchisee may continue to operate the Franchised Business as a Co-Branded Phở Hòa® Restaurant for as long as Franchisee exercises the Renewal Options in this Co-Branding Addendum.

B. Renewal Options.

1. Franchisee may exercise the Renewal Options specified in this Co-Branding Addendum and continue to operate as a Co-Branded Phở Hòa® Restaurant during the Renewal Term if (i) Franchisee also timely exercises the Renewal Options in the Franchise Agreement as amended by this Co-Branding Addendum and satisfies the renewal conditions specified in the Franchise Agreement; (ii) Franchisee satisfies any additional renewal conditions specified in this Co-Branding Addendum; and (iii) Company is granting new Co-Branding Franchises at the time when Franchisee is permitted to exercise the Renewal Option.

2. If Company is not granting new Co-Branding Franchises at the time when Franchisee is permitted to exercise the Renewal Option, but is granting Stand-Alone Phở Hòa® Restaurant franchises, or if Franchisee does not want to remain a Co-Branding Franchisee, Franchisee may exercise the Renewal Option in the Franchise Agreement only and operate as a Stand-Alone Phở Hòa® Restaurant during the Renewal Term if Franchisee complies with the following conditions: (i) Franchisee satisfies the renewal conditions specified in the Franchise Agreement, in which case Franchisee shall cease to be a Co-Branding Franchisee on the last day of the Term of this Co-Branding Addendum; and (ii) remodels the Authorized Location to de-identify it as a Co-Branded Phở Hòa® Restaurant, including ceasing the sale of any and all Core Jazen Tea® Menu Items and the use of the Jazen Tea® System and Jazen Tea® Marks after the Term of this Co-Branding Addendum expires.

3. Franchisee understands and agrees that no Renewal Option shall exist if Company is not granting both new Co-Branding Franchises and new Stand-Alone Phở Hòa® Restaurant franchises at the time when Franchisee is permitted to exercise the Renewal Option described in this Co-Branding Addendum.

4. The non-refundable renewal fee payable to exercise the Renewal Option to remain a Co-Branded Phở Hòa® Restaurant shall be equal to 50% of the Co-Branding Initial Franchise Fee that Company is then charging a new Co-Branding Franchisee for the right to open one Co-Branded Phở Hòa® Restaurant franchise in the state in which the Authorized Location is located. This renewal fee is in addition to the renewal fee which Franchisee must pay to exercise the Renewal Option in the Franchise Agreement.

5. All of the renewal conditions in the Franchise Agreement shall apply to the exercise of the Renewal Options in this Co-Branding Addendum. Additionally, Franchisee agrees that the following are additional conditions to the exercise of the Renewal Options in this Co-Branding Addendum:

a. In order to continue as a Co-Branded Phở Hòa® Restaurant, Franchisee, among other conditions, must execute Company's then-current form of Franchise Agreement and Co-Branding Addendum, which, Franchisee understands, may be materially different than this Co-Branding Addendum and the Franchise Agreement now in effect, including, without limitation, requiring payment of additional or different fees to Company.

b. Franchisee must execute Company's form of Renewal Amendment which shall provide that (i) the term of the then-current Co-Branding Addendum shall be the Renewal Term provided in this Co-Branding Addendum and Franchisee shall not have the renewal rights set forth in the then-current Co-Branding Addendum, but shall instead have the Renewal Options set forth in this Co-Branding Addendum; (ii) Franchisee shall not be required to pay the Initial Franchise Fee stated in the then-current Co-Branding Addendum, but instead shall

pay the renewal fee stated in this Co-Branding Addendum; (iii) Franchisee shall not be required to complete or participate in the initial training programs that Company is then offering to new Co-Branding Franchisees, but shall instead be required to complete any training programs then offered by Company to renewing Co-Branding Franchisees.

c. Franchisee shall satisfy Company's then-current appearance, trade dress elements, design standards, equipment and leasehold improvement specifications that apply to new Co-Branded Phở Hòa® Restaurants.

## V. AUTHORIZED LOCATION DEVELOPMENT AND CO-BRANDING OPENING DATE

A. Franchisee's Design Plans. Company shall provide Franchisee with one set of Company's specifications for the design, appearance, trade dress elements, equipment and leasehold improvements of a Co-Branded Phở Hòa® Restaurant. Depending on when the parties execute this Co-Branding Addendum relative to whether construction of Franchisee's Phở Hòa® Restaurant has already been completed, Franchisee's Design Plans (as that term is defined in the Franchise Agreement) shall mean either Franchisee's comprehensive proposal for (i) remodeling the Authorized Location to incorporate the design and branding elements of the Jazen Tea® System, including layout of additional equipment, fixtures, menu boards, and other improvements for the preparation and sale of Core Jazen Tea® Menu Items; or (ii) construction and development of the Authorized Location as a Co-Branded Phở Hòa® Restaurant. All of the provisions in the Franchise Agreement applicable to the need to obtain Company's approval of Franchisee's Design Plans, construction and development of the Authorized Location, and Franchisee's duties shall apply to the work performed to complete the scope of work described in (i) or (ii).

B. Co-Branding Opening Date. Franchisee shall use its best efforts to open the Authorized Location as a Co-Branded Phở Hòa® Restaurant for business to the public within 6 to 8 months after the date of the Company's Site Approval Notice. During this time frame, Franchisee must execute a Lease and Addendum to Lease and complete all the pre-opening obligations described in this Agreement. Franchisee shall not open the Authorized Location for business to the public as a Co-Branded Phở Hòa® Restaurant or begin selling Core Jazen Tea® Menu Items at the Authorized Location until Company issues a written completion certificate. The certificate shall signify that Company finds that the Authorized Location, as built, substantially conforms to the version of Franchisee's Design Plans that Company has approved pursuant to this Co-Branding Addendum and that Franchisee has met all other pre-opening requirements, including, without limitation, completing the entire Management Training portion of the Basic Training program for Co-Branding Franchisees to Company's reasonable satisfaction, designating a Certified Manager, and supplying Company with proof of all required insurance coverage, all in accordance with the requirements of the Franchise Agreement as amended by this Co-Branding Addendum. Company may require that Franchisee provide Company with photographs and video tapes showing the Authorized Location's physical readiness to open for business as a Co-Branded Phở Hòa® Restaurant.

## VI. TRAINING

A. Initial Training. Company shall provide Franchisee with an initial Training program for Stand-Alone Jazen Tea® Shops that is in two parts: Management Training, which Company will conduct at a designated location in the San Jose, California area unless the parties agree upon another location, and Basic Training, which Company will conduct at the Authorized Location at a mutually-scheduled time coinciding with the Co-Branding Opening Date. If

Franchisee is a Business Entity, then at least one management level employee designated by Franchisee must successfully complete the Basic Training class for Stand-Alone Jazen Tea® Shops to Company's reasonable satisfaction before the Co-Branding Opening Date and, additionally, Franchisee shall cause all of its management-level and opening employees to participate in Opening Training. If the Opening Date and Co-Branding Opening Date are expected to be the same date, then Company will schedule the Basic Training course for Stand-Alone Jazen Tea® Shops to coincide with the Basic Training that Company provides under the Franchise Agreement in the operation of a Phở Hòa® Restaurant. All other conditions in the Franchise Agreement pertaining to enrollment and completion of entire initial training, who must complete initial training, and the lack of any guaranty that the Franchised Business will be profitable if initial training is successfully completed apply to the separate Initial Training program offered to Co-Branding Franchisees.

B. Management-Level Employees; Certified Manager Qualifications. To qualify as a Certified Manager of the Franchised Business operating as a Co-Branded Phở Hòa® Restaurant, a Certified Manager must complete Basic Training for Stand-Alone Jazen Tea® Shops in addition to meeting the other Certified Manager conditions in the Phở Hòa® Franchise Agreement.

C. Additional Training; Training in Connection with an Event of Transfer. The provisions in the Franchise Agreement regarding Additional Training and Training in Connection with an Event of Transfer shall also apply to Additional Training offered to Stand-Alone Jazen Tea® Shops. A proposed transferee must complete all training required to be designated a Co-Branding Franchisee.

## VII. JAZEN TEA® MARKS

The parties amend the Franchise Agreement to provide that all provisions in the section of the Franchise Agreement titled "PHỞ HÒA® MARKS" apply equally to the Jazen Tea® System and Jazen Tea® Marks without the need for restating those provisions in their entirety.

## VIII. MANUAL

The parties amend the Franchise Agreement to provide that all provisions in the section of the Franchise Agreement titled "MANUAL" apply equally to the JT Manual without the need for restating those provisions in their entirety.

## IX. CONFIDENTIAL INFORMATION

The parties amend the Franchise Agreement to provide that all provisions in the section of the Franchise Agreement titled "CONFIDENTIAL INFORMATION" apply to the scope of information and knowledge incorporated in the definition of Confidential Information in this Co-Branding Addendum without the need for restating those provisions in their entirety.

## X. ADVERTISING

A. Scope. The parties amend the Franchise Agreement to provide that all provisions in the section of the Franchise Agreement titled "ADVERTISING" apply to the parties with respect to the operation of the Franchised Business as a Co-Branded Phở Hòa® Restaurant without the need for restating those provisions in their entirety, subject to the additional duties expressed in this section. This section covers additional duties applicable to Franchisee in connection with the operation of a Co-Branded Phở Hòa® Restaurant.



B. Grand Opening Promotion.

1. If the Co-Branding Opening Date and Opening Date are the same, Franchisee must spend during the period identified in the Franchise Agreement the sum of no less than \$1,000 plus the minimum amount specified in the Franchise Agreement on grand opening advertising activities as described in the Franchise Agreement. No less than \$1,000 must be specifically devoted to publicizing the availability of Core Jazen Tea® Menu Items at the Franchised Business.

2. If the Co-Branding Opening Date is later than the Opening Date, Franchisee must spend a minimum of \$1,000 during the period from the Effective Date of this Co-Branding Addendum through the end of the 30 days after the Co-Branding Opening Date specifically to publicize the availability of Core Jazen Tea® Menu Items and the conversion of the Franchised Business to a Co-Branded Phở Hòa® Restaurant.

C. Local Advertisements. As a Co-Branded Franchisee, Franchisee must spend each Calendar Month twice the minimum obligation on Local Advertisements specified in the Franchise Agreement with approximately half of the expenditures devoted to Local Advertisements promoting the sale of Core Jazen Tea® Menu Items.

D. Jazen Tea® Marketing Fund.

1. Company shall use the Jazen Tea® Marketing Fund ("Jazen Tea® Marketing Fund") to underwrite expenses associated with the creation, development and publication of advertising and promotional programs designed to enhance consumer awareness and identity of the Jazen Tea® Marks and administer the Jazen Tea® Marketing Fund for the benefit of all Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants. Without limiting the scope of the permissible uses of the Marketing Fund explained in the Franchise Agreement, the parties acknowledge that Company may use the Marketing Fund to pay subscription fees for software allowing Company remotely to modify all digital menus in Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants.

2. Company may use the Jazen Tea® Marketing Fund to underwrite expenses for advertising and marketing purposes that promote Stand-Alone Jazen Tea® Shops, Stand-Alone Phở Hòa® Restaurants and Core Jazen Tea® Menu Items in the same initiative.

3. Franchisee understands and agrees that the Jazen Tea® Marketing Fund is not a trust and Company does not owe Franchisee a fiduciary duty based on Company's authority to administer the Jazen Tea® Marketing Fund or otherwise.

4. Beginning on and after the Co-Branding Opening Date, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Jazen Tea® Marketing Fee equal to 2% of Gross Sales Month ("Jazen Tea® Marketing Fee"); which shall be due and payable for the same period and on or before the same date as the Jazen Tea® Royalty Fee. Payment shall be by check or by such other method, including automatic bank debit, as Company may from time to time direct. Franchisee understands that Jazen Tea® Marketing Fees are in addition to the separate Marketing Fees payable under the Franchise Agreement to the Phở Hòa® Marketing Fund.

5. Franchisee understands that the Jazen Tea® Marketing Fee payable under this Co-Branding Addendum will be deposited into the Jazen Tea® Marketing Fund, and that

Franchisee's obligation for Jazen Tea® Marketing Fees under this Co-Branding Addendum is in addition to the obligation to pay Marketing Fees under the Franchise Agreement.

6. Company shall also deposit all Jazen Tea® Marketing Fees that Company collects from Stand-Alone Jazen Tea® Shop Franchisees and other Co-Branding Franchisees into the Jazen Tea® Marketing Fund, and maintain the Jazen Tea® Marketing Fund in a separate bank account segregated from the Company's other funds and from any Marketing Fund that Company maintains for the benefit of Phở Hòa® Restaurant Franchisees and Stand-Alone Phở Hòa® Restaurants.

7. Company may use the Jazen Tea® Marketing Fund to meet the costs of maintaining, administering, directing and preparing advertising and marketing programs, public relations and market research benefiting the Jazen Tea® Marks. Company will not be restricted with respect to what, where and how the Jazen Tea® Marketing Fund will be applied for these purposes. Company will retain sole discretion over the form, content, time, location, market and choice of media and markets for all advertising and promotion paid for from the Jazen Tea® Marketing Fund proceeds. Without limiting the scope of Company's general authority and sole discretion, Company may use the Jazen Tea® Marketing Fund to pay for the cost to (i) create, prepare and produce advertising and promotional formats, materials and samples including, without limitation, point of sale materials, advertising slicks and copy, promotional graphics, brochures, mailers, and gift certificate coupons; (ii) administer local, regional and national advertising programs, including buying media space or time, outdoor advertising art and space, direct mail lists, and electronic listings in white and yellow page web sites; (iii) maintain Company's World Wide Web site; (iv) employ advertising, public relations and media buying agencies; (v) support public relations, market and consumer research; (vi) engage in social media activities; and (vii) pay expenses directly associated with maintaining and administering the Jazen Tea® Marketing Fund, including, without limitation, the cost to prepare annual accountings, expenses to collect Jazen Tea® Marketing Fees from delinquent franchisees, and the cost of conducting the Annual Meeting if Company elects to hold one. The following additional conditions apply to the Jazen Tea® Marketing Fund if Company decides to create one:

a. Company makes no representation that any amount of the Jazen Tea® Marketing Fund will be spent in any given geographic region or area, that monies will be spent on advertising or promotion which is national in scope or that money will be spent in Franchisee's market area in proportion to Franchisee's contributions to the Jazen Tea® Marketing Fund.

b. Company may (i) collect rebates, credits or other payments from suppliers based on purchases of ingredients, supplies, foods or beverages included in the scope of Core Jazen Tea® Menu Items by Franchisee, and (ii) condition its approval of a supplier on the supplier's willingness to agree to make such payments to Company or Company's Affiliates on account of Franchisee's purchases. Company shall have sole discretion to refund any supplier payments to Franchisee, contribute the supplier payments to the Jazen Tea® Marketing Fund, or retain the supplier payments for Company's own use, regardless of any designation given to the payments by the supplier. If Company elects to contribute a supplier payment to the Jazen Tea® Marketing Fund, the contribution shall not reduce Franchisee's obligation for Jazen Tea® Marketing Fees.

c. As long as Franchisee is not in default under this Co-Branding Addendum, Company shall make marketing, advertising and promotional formats and sample materials created by the Jazen Tea® Marketing Fund available to Franchisee with, or without,

additional reasonable charge, in Company's sole discretion; provided, however, Company's pricing policies shall apply to all Co-Branding Franchisees. Franchisee shall be solely responsible for all costs to reproduce the formats and materials for its own use and distribution. In connection with reproduction and use of formats and materials created by the Jazen Tea® Marketing Fund, Franchisee shall observe Company's requirements with respect to protecting Confidential Information and Company's rights in the Jazen Tea® Marks.

d. Company will prepare an annual accounting of the Jazen Tea® Marketing Fund, and will furnish a copy of it to Franchisee upon request. While Company will attempt to expend Jazen Tea® Marketing Fund collections on a current basis, it may recover over-expenditures from subsequent years and may carry forward under-expenditures. Company may reimburse itself for internal expenses that it and its Affiliates incur directly associated with maintaining and administering the Jazen Tea® Marketing Fund, including, without limitation, expenses to collect contributions and general operating expenses (such as for rent and salaries in proportion to time devoted to Jazen Tea® Marketing Fund matters) and for attorneys' fees and other costs related to claims by, or against, the Jazen Tea® Marketing Fund. In any Calendar Year, Company's reimbursement for direct overhead costs to maintain the Jazen Tea® Marketing Fund shall not exceed 15% of the aggregate annual Jazen Tea® Marketing Fees collected by Company from Franchisee, Stand-Alone Jazen Tea® Shop Franchisees and other Co-Branding Franchisees for the Calendar Year.

e. Company may, but is not obligated to, loan money to the Jazen Tea® Marketing Fund in the event desired expenditures for any period exceed the balance in the Jazen Tea® Marketing Fund. Any funds loaned to the Jazen Tea® Marketing Fund will be repayable upon demand when funds are available and shall bear interest at no more than 2 points over the then-current prime lending rate of Bank of America, its successor, or, if no longer in operation, another national banking institution with headquarters in the United States.

f. The Jazen Tea® Marketing Fund will be of perpetual duration, and Company reserves the right to terminate the Jazen Tea® Marketing Fund at any time. If there is a balance in the Jazen Tea® Marketing Fund after payment of final expenses when Company terminates the Jazen Tea® Marketing Fund, Company shall refund the remaining balance to the Stand-Alone Jazen Tea® Shop Franchisees and Co-Branding Franchisees, including Franchisee, who paid Jazen Tea® Marketing Fees before Company announced the Jazen Tea® Marketing Fund's termination in proportion to the amount of each operator's payment. Company shall determine the allocation of any refund in its sole discretion. Company may reinstate the Jazen Tea® Marketing Fund on the terms and conditions stated in this Co-Branding Addendum effective upon no less than 30 days' written notice to Franchisee.

g. For each Stand-Alone Jazen Tea® Shop or Co-Branded Phở Hòa® Restaurant that Company or Company's Affiliates own, Company or Company's Affiliates shall contribute to the Jazen Tea® Marketing Fund on the terms and in an amount equal to the then-current rate of contribution set forth in Company's then-current Disclosure Document for the sale of new franchises. During any time when Company does not have a current Disclosure Document and administers the Jazen Tea® Marketing Fund, Company shall make contributions to the Jazen Tea® Marketing Fund on the terms and at the rate in Company's last Disclosure Document.

## XI. PAYMENTS

### A. Initial Franchise Fee.

1. In consideration of the co-branding rights and license awarded to Franchisee, Franchisee shall pay to Company in full upon execution of this Co-Branding Addendum an initial franchise fee (the "Initial Franchise Fee") in the sum of \$15,000, less any deposit paid by Franchisee to Company for the co-branding rights before the Effective Date of this Co-Branding Addendum. The Initial Franchise Fee payable pursuant to this Co-Branding Addendum is fully earned when paid and is not refundable under any circumstance except as set forth in the Franchise Agreement as amended by this Co-Branding Addendum.

2. If Company's Disclosure Document delivered to Franchisee in connection with the award of co-branding rights disclosed that Company will discount the Initial Franchise Fee when an existing Co-Branding Franchisee purchases the right to open or convert a second or subsequent Phở Hòa® Restaurant into a Co-Branded Phở Hòa® Restaurant, and if Franchisee qualifies for the discount, Company will adjust the Initial Franchise Fee to conform with Company's Disclosure Document.

B. Jazen Tea® Royalty Fee. In addition to the separate Royalty Fees payable under the Franchise Agreement, beginning on the Co-Branding Opening Date and for the remainder of the Term, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Jazen Tea® Royalty Fee equal to 4% of the aggregate Gross Sales of the Franchised Restaurant. Until further notice, the Royalty Fee shall be due and payable monthly on or before the 10<sup>th</sup> day of each Calendar Month based upon the aggregate Gross Sales of the Franchised Restaurant for the prior Calendar Month.

C. Method of Payment of Other Fees. Marketing Fees shall be due and payable in the same manner and for the same period as Royalty Fees. All other payments required to be made to Company or Company's Affiliates pursuant to this Agreement shall be due and payable on the date indicated in this Agreement and in the same manner as the Royalty Fee. . Company may change the accounting period for paying and reporting Royalty Fees, Marketing Fees and other fees under this Agreement on no less than 14 days written notice. For example, instead of paying Royalty Fees and Marketing Fees on a monthly basis, Company may designate weekly payments. Additionally, upon 14 days written notice, Company may require that payment be accomplished following Company's automated clearing house procedures described in the Manual which may include payment by automatic direct debit or an equivalent system that eliminates delay in crediting Company's bank account with payment.

D. Administrative Default Charge. The Administrative Default Charge in the Franchise Agreement shall apply to payments due under this Co-Branding Addendum.

E. Jazen Tea® Security Deposit. On or before the Co-Branding Opening Date, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a Jazen Tea® Security Deposit of \$2,000. This Jazen Tea® Security Deposit is in addition to the Security Deposit required to be paid under the Franchise Agreement. Franchisee understands and agrees that Company may charge the Jazen Tea® Security Deposit at any time, without prior written notice to Franchisee, if Franchisee fails to pay Jazen Tea® Royalty Fees, Jazen Tea® Marketing Fees, or any other payments (including late charges) due to Company under this Co-Branding Addendum or due to any of Company's affiliates for products or services. By charging the Jazen Tea® Security Deposit, Company shall not waive any of its rights or remedies under this Co-

Branding Addendum or Applicable Laws including, without limitation, the right to collect the Administrative Default Charge or late charges. Company shall notify Franchisee after debiting the Jazen Tea® Security Deposit and Franchisee shall have 15 days after receipt of Company's notice to restore the Jazen Tea® Security Deposit to the full amount.

F. Late Charges. The late charges imposed by the Franchise Agreement shall apply to late payments due under this Co-Branding Addendum.

G. No Waiver. The "No Waiver" provisions in the Franchise Agreement shall apply to the imposition of late charges, any deductions taken by Company from the Jazen Tea® Security Deposit, and the Administrative Default Charges payable under this Co-Branding Addendum.

H. Application of Fees. Notwithstanding any designation given to a payment by Franchisee under this Co-Branding Addendum, Company shall have sole discretion to apply any payments from Franchisee to any past due indebtedness owed to Company or Company's Affiliates under this Co-Branding Addendum or the Franchise Agreement in the amounts and order as Company shall determine.

I. Gross Receipts or Equivalent Taxes. The section in the Franchise Agreement titled "Gross Receipts or Equivalent Taxes" shall apply to payments due to Company under this Co-Branding Addendum.

## XII. ACCOUNTING AND RECORDS

The section of the Franchise Agreement titled "ACCOUNTING AND RECORDS" shall cover Franchisee's activities pursuant to this Co-Branding Addendum without the need for restating those provisions in their entirety. In addition to its duties under the Franchise Agreement, Franchise shall comply with any additional reporting, recording or recordkeeping requirements specified in the JT Manual.

## XIII. STANDARDS OF QUALITY AND PERFORMANCE

A. Scope. The section of the Franchise Agreement titled "STANDARDS OF QUALITY AND PERFORMANCE" shall apply to Franchisee's activities pursuant to this Co-Branding Addendum without the need for restating those provisions in their entirety. Company may set and enforce standards based on the best interests of Company, the Jazen Tea® System or the Phở Hòa® System. This section covers additional duties applicable to Franchisee in connection with the operation of a Co-Branded Phở Hòa® Restaurant.

### B. Core Jazen Tea® Menu Items.

1. Franchisee shall (i) offer for sale, and sell, only the specific Core Jazen Tea® Menu Items and merchandise designated by Company for Co-Branded Phở Hòa® Restaurants; (ii) label and identify all Core Jazen Tea® Menu Items by the specific name designation given to them by Company; and (iii) use only the equipment, supplies, utensils, materials, signs, menu boards, and delivery systems for preparing and serving Core Jazen Tea® Menu Items to the public that Company prescribes, which shall conform to Company's then-current specifications and standards. All of the terms and conditions pertaining to Proprietary Products and Non-Proprietary Products generally, including, without limitation, provisions applicable to alternative suppliers, shall apply to the production, preparation, sale and delivery of

Core Jazen Tea® Menu Items to the same extent that the terms and conditions apply to other foods and beverages sold at the Co-Branded Phở Hòa® Restaurant.

2. Franchisee understands that it must purchase its menus from Company on an as-needed basis at the then-current prices published in the Manual, but will set the prices for all menu items. Franchisee understands and agrees that changes that Company may make to the list of Proprietary Products, to recipes for mandatory Core Jazen Tea® Menu Items, or to any other mandatory aspect of the Jazen Tea® System, including, without limitation, the use of certain equipment or computer software, may require Franchisee to make significant capital expenditures during the Term in amounts that Company cannot forecast. Franchisee understands and agrees that Company has no ability to identify with specificity the nature of these future changes or their expected cost, but accepts the risk that changes will be imposed and agrees to adopt all changes in Company's specifications for mandatory components of the Jazen Tea® System at its sole expense.

3. Franchisee understands and agrees that Company's authorized menu boards for Co-Branded Phở Hòa® Restaurants may include, in Company's sole discretion, requirements concerning organization, graphics, product descriptions, illustrations and other design and content features. Company shall determine and control all design, appearance, descriptions, designations and content elements of the menu board other than the prices of Core Jazen Tea® Menu Items, which Franchisee may establish. Franchisee understands that Company may designate different menu boards and Core Jazen Tea® Menu Items depending on market size, geographic region, store size and other factors in Company's sole discretion; and Company may implement changes in Core Jazen Tea® Menu Items and menu boards and authorize tests and special promotions of new foods, beverages, Proprietary Products, Non-Proprietary Products, equipment and other merchandise at selected Stand-Alone Jazen Tea® Shops or Co-Branded Phở Hòa® Restaurants or within selected geographic regions, all in Company's sole discretion.

C. Employees. As part of Franchisee's duty to provide adequate staffing to provide prompt and competent customer services, Franchisee shall assign at least one front crew member per shift to prepare and serve Core Jazen Tea® Menu Items and interface with customers.

D. Insurance. Franchisee shall ensure that the minimum insurance coverage required by the Franchise Agreement covers any additional equipment and other property utilized in connection with co-branding activities under this Co-Branding Addendum.

1. In addition to the provisions in the Franchise Agreement, Franchisee shall assign at least one employee per work shift to perform Jazen Tea® front crew duties exclusively during the work shift.

2. Franchisee shall designate the same persons or persons to serve as Certified Manager of the entire Co-Branded Phở Hòa® Restaurant operations, and each Certified Manager must meet the qualifications in the Franchise Agreement as amended by this Co-Branding Addendum. While Franchisee may designate separate assistant managers for the Jazen Tea® and Phở Hòa® areas of operation, the Certified Manager shall have oversight over all activities performed under the Franchise Agreement as amended by this Co-Branding Addendum.

#### XIV. COMPANY'S OPERATIONS ASSISTANCE

The section of the Franchise Agreement titled "COMPANY'S OPERATIONS ASSISTANCE" shall extend to Franchisee's activities pursuant to this Co-Branding Addendum without the need for restating those provisions in their entirety.

#### XV. COVENANTS REGARDING OTHER BUSINESSES' INTERESTS

All sections of the Franchise Agreement titled "COVENANTS REGARDING OTHER BUSINESSES' INTERESTS" shall apply during and after the Term of this Co-Branding Addendum to "Competitive Business" activities as defined in this Co-Branding Addendum, without the need for restating those provisions in their entirety.

#### XVI. DEFAULT AND TERMINATION

A. Scope. The parties amend the section of the Franchise Agreement titled "DEFAULT AND TERMINATION" so that it applies in all respects to the parties' rights, duties and performance under this Co-Branding Addendum, without the need for restating those provisions in their entirety. For the sake of clarity, if a party to this Co-Branding Addendum believes that the other party has committed a material breach of this Co-Branding Addendum, the party must follow the default and termination procedures in the Franchise Agreement.

B. Effect of Termination or Expiration.

1. The termination or expiration of the Franchise Agreement shall result in the concurrent and automatic termination of this Co-Branding Addendum, and the termination or expiration of this Co-Branding Addendum shall result in the concurrent, and automatic, termination of the Franchise Agreement and all other agreements between the parties pertaining to the Franchised Business or the franchise granted by this Co-Branding Addendum other than those that expressly or by their nature survive termination or expiration, including, without limitation, confidentiality agreements, spousal consents, and the Collateral Assignment of Telephone Numbers, Addresses, Listings and Assumed or Fictitious Business Name previously delivered to Company.

2. Notwithstanding the termination of this Co-Branding Addendum, the parties agree that any other Franchise Agreements then in effect between the parties concerning a Phở Hòa® Restaurant (whether or not it is a Co-Branded Phở Hòa® Restaurant or a Stand-Alone Jazen Tea® Shop that is owned by Franchisee) shall remain in full force and effect, unless the grounds which Company has relied upon to terminate this Co-Branding Addendum and the Franchise Agreement also constitute grounds for terminating the other Franchise Agreements and Company has satisfied all requirements to terminate the other Franchise Agreements.

3. In any proceeding in which the validity of termination of this Co-Branding Addendum or the Franchise Agreement is at issue, Company shall not be limited to the reasons set forth in any notice of termination or default given to Franchisee.

#### XVII. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

A. Scope. All sections of the Franchise Agreement titled "RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION" shall apply to this Co-Branding Addendum, without the need for restating those provisions in their entirety. References in the section of the

Franchise Agreement titled “RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION” to the Phở Hòa® System and Phở Hòa® Marks shall also mean the Jazen Tea® System and Jazen Tea® Marks.

B. Company's Right to Purchase Physical Assets. The section of the Franchise Agreement titled “Company's Right to Purchase Physical Assets” shall apply to any physical assets added to the Franchised Business pursuant to this Co-Branding Addendum.

#### XVIII. ASSIGNMENT AND TRANSFER

A. No Right to Transfer. Franchisee may not, directly or indirectly, by operation of law or otherwise, complete an event of transfer of its rights under this Co-Branding Addendum separate and apart from the Franchise Agreement, and any attempt to do so shall not only be void, but shall constitute a material breach of this Co-Branding Addendum and the Franchise Agreement and grounds for termination.

B. Assignment and Transfer under the Franchise Agreement. Any event constituting an event of transfer as defined in the Franchise Agreement shall constitute an event of transfer of this Co-Branding Addendum. Franchisee understands and agrees that at all times, the party identified in the current or any successor Franchise Agreement as “Franchisee” must be the same party identified in this or any successor Co-Branding Addendum as “Franchisee.” Consequently, in requesting consent to a proposed event of transfer, the proposed transferee must be prepared to operate the Franchised Business as a Co-Branded Phở Hòa® Restaurant and Franchisee must comply with all of the conditions and procedures in the Franchise Agreement for completing an event of transfer that includes the rights and duties of a Co-Branding Franchisee.

#### XIX. RELATIONSHIP OF PARTIES; INDEMNIFICATION; SECURITY INTEREST

The parties amend the Franchise Agreement to provide that all of the provisions in the section titled “RELATIONSHIP OF PARTIES; INDEMNIFICATION; SECURITY INTEREST” apply in all respects to the rights and duties of the parties under this Co-Branding Addendum, without the need for restating those provisions in their entirety.

#### XX. PERSONAL GUARANTY

Nothing in this Co-Branding Addendum is intended to modify the provisions in the section of the Franchise Agreement titled “PERSONAL GUARANTY.” Furthermore, nothing in this Co-Branding Addendum modifies or affects the validity of any personal guaranty that has been delivered to Company before the Effective Date of this Co-Branding Addendum.

#### XXI. DISPUTE RESOLUTION

The parties amend the Franchise Agreement to provide that all of the provisions in the section titled “DISPUTE RESOLUTION” apply in all respects to disputes arising under this Co-Branding Addendum without the need for restating those provisions in their entirety.

#### XXII. ACKNOWLEDGMENTS

In entering into this Co-Branding Addendum, Franchisee reiterates all of the statements in the section of the Franchise Agreement titled “ACKNOWLEDGEMENTS.”



XXIII. MISCELLANEOUS

The parties amend the Franchise Agreement to provide that all of the provisions in the section titled "MISCELLANEOUS" apply to this Co-Branding Addendum without the need for restating those provisions in their entirety. The parties make no change to the Exhibits to the Franchise Agreement which have been executed before the Effective Date of this Co-Branding Addendum, all of which shall continue in full force and effect.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties have executed this Co-Branding Addendum as of the Effective Date.

**SOUTH BAY SOUP CORPORATION**

**FRANCHISEE**

By: \_\_\_\_\_

\_\_\_\_\_  
[Signature, if a natural person]

Its: \_\_\_\_\_

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[NAME OF BUSINESS ENTITY]

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT E**  
**FRANCHISE APPLICATION**

**TO ACQUIRE:**

\_\_\_\_ **A STAND-ALONE JAZEN TEA® FRANCHISE**  
\_\_\_\_ **CO-BRANDING FRANCHISE RIGHTS**

**TO:** South Bay Soup Corporation  
1420 Fulton Avenue, Building B  
Sacramento, CA 95825  
ATTENTION: President, Jazen Tea®

1. I, either for myself or for the entity identified below on whose behalf I represent to you I am authorized to act, hereby apply to purchase the specific franchise checked above on the terms and conditions set forth in the documents applicable to my investment attached to the South Bay Soup Corporation Jazen Tea® Franchise Disclosure Document ("Jazen Tea® FDD"), a copy of which I acknowledge that I received as set forth below. The Jazen Tea® FDD provides information regarding the Stand-Alone Jazen Tea® Shop Franchise opportunity and also regarding the Co-Branding Franchise opportunity available to Phở Hòa® franchisees in good standing.

2. If I have checked off the box indicating my application to acquire a Co-Branding Franchise, then, in addition to meeting other eligibility conditions, I acknowledge that I must be in good standing under the Phở Hòa® Franchise Agreement or must execute a Phở Hòa® Franchise Agreement at the same time that I execute a Co-Branding Addendum.

3. Accompanying this application is my payment of \$300 for the application fee which accompanies all applications and, which I understand you will credit to the Initial Franchise Fee payable under the Jazen Tea® Franchise Agreement or the Co-Branding Addendum, depending on which box I have checked above, if my application is accepted and I decide to purchase a Stand-Alone Jazen Tea® Shop Franchise or a Co-Branding Franchise. I understand that half of my \$300 application fee is non-refundable.

4. I understand and agree that in order to be approved as a Stand-Alone Jazen Tea® Shop Franchisee or Co-Branding Franchisee, I must, in your sole judgment and discretion satisfy the standards that you deem relevant for new Stand-Alone Jazen Tea® Shop Franchisees or Co-Branding Franchisees (which may be different and the standards that apply to me depend on the franchise opportunity for which I am applying). Among other things, I must demonstrate that I possess the requisite character, business experience and credit worthiness and meet minimum financial requirements for the particular franchise opportunity for which I have applied. I understand that evaluation of my application and supporting credentials is a subjective process and will be left to your sole and absolute discretion, and that you may consider all aspects of my character, experience and background that you deem relevant.

5. I submit together with this application all documentation required by you supporting my business experience and personal, financial, and credit history. I understand that you have the right to request additional information and the names of references to support my

application. I further understand that my application shall not be complete until you receive all requested information. The information set forth in this application and in all supporting documentation is, or when submitted will be, true and complete.

6. I understand that you shall have 30 days from the date my application is complete to approve my application. I acknowledge that you have sole and absolute discretion to accept my application or reject it. If my application is not approved, you agree to refund half of the application fee, after which neither one of us shall have any further obligation to the other. If my application is rejected, I agree that I will have no claim against you arising out of this application or my dealings with you pertaining to the franchise opportunity for which I have applied.

7. I understand that if I withdraw my application before you notify me of your decision, you will refund half of my application fee. I agree that I will have no claim against you arising out of this application or my dealings with you pertaining to the Stand-Alone Jazen Tea® Shop Franchise or Co-Branding Franchise opportunity for which I have applied.

8. If my application is approved, I understand that my application fee shall be fully credited toward the Initial Franchise Fee when I sign the Jazen Tea® Franchise Agreement or the Co-Branding Addendum as further explained in the Jazen Tea® FDD. The amount of each Initial Franchise Fee is disclosed in the Jazen Tea® FDD. I understand that your approval of my application may be conditioned upon my signing all required contracts by no later than the date that you specify, which shall be at least 14 days from the date that you notify me that you have approved my application. If I do not execute all required agreements by the date that you specify, I understand that I will thereafter have no right to purchase a franchise and that you will not be obligated to enter into a Jazen Tea® Franchise Agreement or Co-Branding Addendum with me.

9. I understand that I may withdraw my application at any time, even after my application is approved, but before I sign the Jazen Tea® Franchise Agreement or Co-Branding Addendum and other required contracts, upon written notice to you. Should I do so, you shall refund half of my application fee, and thereafter neither one of us shall have any further obligation to the other and I shall have no claim against you arising out of this application or my dealings with you pertaining to the franchise opportunity.

10. I understand that as a condition to my being entitled to receive a refund of part of the application fee, I may be required to sign a General Release of claims in the format attached to the Jazen Tea® FDD.

11. I understand that my rights under this application are not transferable or assignable by me or by operation of law.

**[continues on next page]**

| APPLICANT MUST COMPLETE THE FOLLOWING   |  |
|---|--|
| PRINT NAME OF APPLICANT:  |  |
| APPLICATION FOR:<br><br>SPECIFY: STAND-ALONE JAZEN TEA®<br>SHOP FRANCHISE OR CO-BRANDING<br>FRANCHISE |  |
| IF APPLICANT IS AN ENTITY, PRINT STATE<br>OF INCORPORATION OR FORMATION:                              |  |
| SIGNATURE OF APPLICANT OR PERSON<br>EXECUTING THIS APPLICATION ON<br>BEHALF OF APPLICANT:             |  |
| PRINT NAME OF PERSON SIGNING THIS<br>APPLICATION:   |  |
| IF EXECUTING THIS APPLICATION ON<br>BEHALF OF AN ENTITY, PRINT TITLE:                                 |  |
| DATE OF EXECUTION:  |  |

**RECEIPT OF APPLICATION AND DEPOSIT IS ACKNOWLEDGED  
ON:** \_\_\_\_\_

South Bay Soup Corporation

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT F**  
**[INTENTIONALLY OMITTED]**

**EXHIBIT G**

**STAND-ALONE JAZEN TEA® SHOP FRANCHISE**

**ADDENDUM (“Addendum”)**

**TO LEASE DATED \_\_\_\_\_ (“Lease”)**

**BY AND BETWEEN \_\_\_\_\_ (“Landlord”)**

**AND \_\_\_\_\_ (“Tenant or Franchisee”)**

**RE: RIGHTS OF SOUTH BAY SOUP CORPORATION (“Company”)**

I. WHEREAS, Company and Tenant are parties to a certain Jazen Tea® Franchise Agreement dated \_\_\_\_\_ (the “JT Franchise Agreement”), pursuant to which Company has granted Franchisee a franchise and license to use the Jazen Tea® System and the Jazen Tea® Marks in operating a Stand-Alone Jazen Tea® Shop on the terms and conditions stated in the JT Franchise Agreement; and

II. WHEREAS, Company has approved Franchisee’s request to locate its Stand-Alone Jazen Tea® Shop in certain premises (“Premises”) owned by Landlord which are the subject of the Lease attached hereto as **Schedule A**, provided that the conditions and agreements set forth in this Addendum are made a part of the Lease.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

A. Assignment of Lease. Franchisee irrevocably assigns and transfers to Company all of Franchisee’s right, title, and interest in and to the Lease and all options contained therein. This assignment may not be revoked without the prior written consent of Company. The parties acknowledge that, until Company accepts the assignment made by Franchisee, Company has no obligations, liabilities, or responsibilities under the Lease of any kind, including, without limitation, as a guarantor or indemnitor of Tenant’s obligations to Landlord. Company’s signature below does not create or impose any obligations upon Company.

B. Use of Property. The Premises shall be used solely for the operation of a Stand-Alone Jazen Tea® Shop. Company may enter the Premises at any time to inspect Franchisee’s operations and engage in all activities expressly permitted by the JT Franchise Agreement.

C. Default in JT Franchise Agreement. Franchisee’s default under the JT Franchise Agreement for any reason shall constitute an event of default under the Lease, which can only be cured if the JT Franchise Agreement default is timely cured by Franchisee. For informational purposes only, Company shall serve Landlord with a copy of any notice of default, breach or termination of the JT Franchise Agreement at the same time it serves Franchisee with such notice. Nothing in this Addendum gives Landlord a right to cure the breach or default or succeed to Franchisee’s rights under the JT Franchise Agreement.

D. Notices to Company. Landlord shall serve Company with a copy of any notice of default, breach or termination of Lease at the same time it serves Franchisee with such notice.

E. Incorporation by Reference. Landlord and Franchisee expressly incorporate the terms of this Addendum as part of the Lease.

F. Default by Franchisee. Landlord agrees not to terminate the Lease based on Franchisee's breach or default until it has given Company written notice identifying the breach or default and, a reasonable period of time, which shall be at least ten (10) days, to cure the breach or default. If Company chooses not to cure the breach or default, Landlord may terminate the Lease in the manner provided in the Lease, but shall have no remedy against Company. Company's decision not to cure the breach of default shall not prejudice Company's right to accept an assignment of the Lease following its termination by Landlord subject to the conditions stated in this Addendum.

G. Acceptance of Assignment by Company.

1. Company may accept the assignment of the Lease at any time before the Lease expires if: (a) Company terminates the JT Franchise Agreement for any reason, or (b) Landlord terminates the Lease based upon Franchisee's breach or default which has not been cured within the period (if any) allowed by the Lease. To accept the assignment, Company must give written notice to Landlord and Franchisee within ten (10) days after the termination of the JT Franchise Agreement or Lease (depending upon the event giving rise to Company's right to accept an assignment of the Lease).

2. With respect to an uncured breach or default under the Lease, the parties agree that if Company accepts an assignment, Company must fully cure a default arising out of Franchisee's failure to pay rent or other sums due to Landlord ("monetary default") before Company may occupy the Premises. However, if the default arises out of Franchisee's failure to perform any other type of obligation ("non-monetary default"), Company may occupy the Premises immediately upon accepting the assignment and shall thereafter have a reasonable period of time in light of the nature of the non-monetary default in which to cure the non-monetary default provided Company must act diligently to cure the non-monetary default as expeditiously as possible under the circumstances.

3. If Company accepts the assignment, at Company's election, from and after the date of acceptance: (a) Company shall have all of the rights of Franchisee under the Lease and Franchisee shall be deemed to be a sublessee of Company on the terms and conditions contained in this Lease; (b) Company shall have the right to assign or sublet all of any part of its interest in the Lease or in the Premises to another Stand-Alone Jazen Tea® Shop Franchisee without Landlord's prior consent; and (c) Company shall be liable to perform only the obligations of Franchisee under the Lease arising from and after the date of Company's acceptance of the assignment and, except for curing a monetary or non-monetary default, shall have no other liability for obligations under the Lease arising before Company's acceptance of the assignment.

H. Landlord's Agreements. In addition to agreements stated elsewhere in this Addendum, for the benefit of Company, Landlord agrees not to (1) accept Franchisee's voluntary surrender of the Lease without prior notice to Company, or (2) amend the Lease without Company's prior written consent.

I. Communications. Any notices required in this Addendum must be in writing and will be deemed given when actually delivered by personal delivery or 4 days after being sent by certified or registered mail, return receipt requested, if addressed as follows:



Company: South Bay Soup Corporation  
1420 Fulton Avenue, Building B  
Sacramento, California 95825  
Attn: President, Jazen Tea®

Landlord: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Tenant: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any party may change its address for receiving notices by appropriate written notice to the other.

J. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party hereto. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Company, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party.

K. WAIVER OF JURY TRIAL. LANDLORD, TENANT AND COMPANY HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM, OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER LANDLORD, TENANT OR COMPANY ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS ADDENDUM, THE RELATIONSHIP OF LANDLORD, TENANT AND COMPANY, THE USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE NOW OR HEREAFTER IN EFFECT.

*[Signature page follows]*

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as of \_\_\_\_\_, \_\_\_\_\_.

**COMPANY:**

**SOUTH BAY SOUP CORPORATION**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**LANDLORD:**

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT H

### GENERAL RELEASE

This GENERAL RELEASE ("Release") is made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by ("Releasor"), with reference to the following facts:

A. The undersigned, Releasor:

[COMPLETE AND CHECK APPROPRIATE BOX OR BOXES]

☐ is the Franchisee under, and signatory to, one or more Franchise Agreements entered into by and between South Bay Soup Corporation ("Company") and Releasor, as Franchisee, and each one permits Releasor to use the Jazen Tea® System and the Jazen Tea® Marks to operate either a Stand-Alone Jazen Tea® Shop or a Co-Branded Phở Hòa® Restaurant at a specific location.

☐ is an employee, officer, director, member, manager, partner or owner of an interest in the equity or voting interests of the party (hereinafter "Releasor") identified above.

B. This Release is being executed pursuant to the requirements of the Jazen Tea® Franchise Agreement or Co-Branding Addendum as a condition of the rights granted by Company to Releasor, and for other good and valuable consideration, the receipt of which is acknowledged by the parties.

NOW, THEREFORE, RELEASOR AGREES AS FOLLOWS:

1. General Release.

Releasor, for itself, himself or herself, and, if applicable, additionally, for Releasor's Affiliates, if any, and for each of their respective officers, directors, shareholders, members, managers, trustees, partners, employees, attorneys, heirs and successors (Releasor and such other persons are collectively referred to as the "Releasing Parties"), hereby release and forever discharge Company, Company's Affiliates, and their respective officers, directors, shareholders, agents, employees, representatives, attorneys, successors and assigns (collectively the "Released Parties"), and each of them, from any and all claims, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, at law or in equity, of every nature, character or description whatsoever, whether known or unknown, suspected or unsuspected or anticipated or unanticipated, which any of the Releasing Parties ever had, now has, or may, shall or can hereafter have or acquire (collectively referred to as "Claims"). This Release includes, but is not limited to, all Claims arising out of, concerning, pertaining to or connected with any agreement, tort, statutory violation, representation, nondisclosure, act, omission to act, fact, matter or thing whatsoever, occurring as of or prior to the date of this Release, so that after the date of this Release, none of the Releasing Parties shall have any claim of any kind or nature whatsoever against the Released Parties, directly or indirectly, or by reason of any matter, cause, action, transaction or thing whatsoever done, said or omitted to have been done or said at any time prior to the date of this Release. The terms, "Company's Affiliates" and "Releasor's Affiliates," respectively include every entity that controls, is controlled by, or is under common control with Company or Releasor.

2. Waiver of Civil Code Section 1542.

This Release is intended by Releasor to be a full and unconditional general release, as that phrase is used and commonly interpreted, and to constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Releasor or any of the other Releasing Parties against the Released Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Releasor, for itself, himself or herself, for each of the other Releasing Parties hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Releasor or any of the Releasing Parties would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereinafter existing under the laws of California or any other applicable federal and state law with jurisdiction over the parties' relationship. Releasor, for itself, himself or herself, for each of the other Releasing Parties, acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

In making this voluntary express waiver, Releasor acknowledges that claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. Releasor acknowledges and agrees that the foregoing waiver of Section 1542 is an essential, integral and material term of this Release.

3. COMAR 02.02.08.16L. Pursuant to COMAR 02.02.08.16L, this Release, when required as a condition of renewal, sale, termination, and/or assignment/transfer in connection with a franchise business located in the State of Maryland, shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Dispute Resolution. Releasor agrees to be bound by the dispute resolution provisions attached as **Schedule A** to this Release, which are incorporated herein by this reference.

5. Release Not Admission. Releasor understands and agrees that the giving or acceptance of this Release and the agreements contained herein shall not constitute or be construed as an admission of any liability by Company or an admission of the validity of any claims made by or against Company.

6. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

7. No Prior Assignments. Releasor represents and warrants that Releasor has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

8. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Release.

IN WITNESS WHEREOF, Releasor has executed this Release on the date first shown above.

Releasor:

\_\_\_\_\_  
[IF APPLICABLE]

By:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

Company executes this Release to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule A**.

South Bay Soup Corporation

By:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

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

## SCHEDULE A

### DISPUTE RESOLUTION

1. Agreement to Mediate Disputes. Except as provided in Section 2 of this **Schedule A**, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to a mediation proceeding conducted in accordance with the procedures stated in this **Schedule A**.

(a) The mediation proceeding shall be conducted pursuant to the mediation rules of JAMS (the “**Mediation Service**”). Either party may initiate the mediation proceeding (the “**Initiating Party**”) by notifying the Mediation Service in writing, with a copy to the other party (the “**Responding Party**”). The notice shall describe with specificity the nature of the dispute and the Initiating Party’s claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service’s then current rules, except to the extent such rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediation will be conducted by a single mediator, with the parties giving preference, if at all possible to either a practicing attorney with experience in business format franchising or a retired judge. To be qualified, the mediator shall have no past or present affiliation or conflict with any party to the mediation, and must be generally available to conduct the mediation within the time parameters required by this Agreement. The parties agree that the mediator and the Mediation Service’s employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

(c) The fees and expenses of the Mediation Service, including, without limitation, the mediator’s fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys’ fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator’s evaluation of each party’s case.

(d) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or the undersigned is the Initiating Party, the mediation shall be conducted at Company’s headquarters, unless otherwise required by Applicable Law.

(e) The parties shall participate in good faith in the entire mediation proceeding, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party’s behalf and on behalf of all principals of that party who are required by the terms of the parties’ settlement to be personally bound by it. The parties recognize and agree, however, that the mediator’s recommendations, if any, shall not be binding on the parties.

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection (h), and informs the parties in writing that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) Notwithstanding subsection (g), the parties agree that the mediation conference shall continue for at least 8 hours and be held on one day, if possible; if not, then over 2 consecutive days; provided, however, the parties are excused from this requirement if they succeed in reaching a written settlement in less than 8 hours.

(h) If one party breaches this Agreement by refusing to participate in the mediation proceeding in accordance with this Agreement, including, without limitation, for breaching the conditions of subsection (h), the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (aa) the mediator's fees and costs, (bb) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (cc) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (cc), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(i) At the mediator's sole discretion, or upon either party's request, the mediator will provide a written evaluation of each party's claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

(j) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment under applicable federal and state laws or rules of evidence; provided, however, that evidence otherwise discoverable or admissible shall not be rendered undiscoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

2. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to:

(a) Any claim where the amount of damages sought is \$10,000 or less.

(b) Any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond or comparable security. Once interim relief is obtained, the parties agree to submit the dispute to, or continue, mediation in accordance with this **Schedule A**.

(c) Any claim by Company or the holder of rights under any lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of Company's other rights under the Addendum to Lease.

3. Judicial Relief.

(a) The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this **Schedule A** expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of Sacramento and the United States District Court of the Eastern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this paragraph and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

(b) To the fullest extent that it may effectively do so under Applicable Laws, the undersigned waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this **Schedule A**, and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this **Schedule A**.

(c) The parties agree to waive any right to a trial by jury in any action arising out of or relating to this Agreement, as further provided in this **Schedule A**.

(d) In any proceeding alleging breach of this Agreement, each party shall have the right to engage in deposition and document discovery, including, in the case of Company, the right to conduct forensic examination of Releasor's computer systems if Company reasonably believes the computer systems contain Confidential Information. In connection with any application for any interim relief, as set forth above, each party may conduct discovery on an expedited basis.



4. WAIVER OF JURY TRIAL. COMPANY AND RELEASOR EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR RELEASOR ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS **SCHEDULE A**, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE JAZEN TEA® MARKS OR THE JAZEN TEA® SYSTEM BY RELEASOR, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

5. Choice of Law. Except as otherwise provided in this **Schedule A**, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises under federal law, in which event the federal law shall govern.

6. Punitive or Exemplary Damages. Company and Releasor, and their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

7. Attorneys' Fees.

(a) Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

(b) Company shall be entitled to reimbursement of all fees, costs and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

8. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than the last to occur of the following: (i) 90 days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability.

9. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a

decision of a judge in any proceeding or action in which either Company and Franchisee, but not both of them, is a party will not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

10. Waiver of Class Action Proceedings and Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted only on an individual basis, not on a class-wide basis, and there may be no consolidation or joinder of other claims or controversies involving any other Franchisee. Any such mediation or litigation initiated or brought by either party against the other will not and may not proceed as a class action, collective action, private attorney general action or any similar representative action. Company and Franchisee both understand and agree that they are waiving any substantive or procedural rights that they might have to bring an action on a class, collective, private attorney general, representative or other similar basis.

## EXHIBIT I

### STAND-ALONE JAZEN TEA® SHOP FRANCHISE

#### PERSONAL GUARANTY

THIS GUARANTY AGREEMENT (“**Agreement**”) is made as of \_\_\_\_\_, by \_\_\_\_\_, an individual (“**Guarantor**”) in favor of South Bay Soup Corporation (the “**Company**”), subject to following recitals:

#### RECITALS

A. Guarantor’s company, \_\_\_\_\_ (“**Debtor**”) has applied to purchase the right to open a Stand-Alone Jazen Tea® Shop under the terms of the contracts (collectively referred to as the “**Contracts**”) attached to the Jazen Tea® Franchise Disclosure Document (“**Jazen Tea® FDD**”).

B. Debtor is a business entity other than a partnership duly organized under the laws of the State of \_\_\_\_\_.

C. When a franchisee or applicant seeking to purchase franchise rights is a business entity other than a partnership, Company requires that each person owning 10% or more of the equity or voting interests of the business entity execute a copy of this Agreement, agreeing to personally guaranty the business entity’s obligations under each one of the Contracts for the benefit of Company.

D. Guarantor represents that he/she is one of the individuals identified on **Schedule A**, which lists all of the owners of Debtor, and that Guarantor owns, either legally or beneficially, 10% or more of the equity or voting interests of Debtor.

NOW, THEREFORE, in order to induce Company to enter into one or more of the Contracts with Debtor, Guarantor covenants and agrees with Company as follows:

#### Section 1. Guaranty.

a. Guarantor hereby unconditionally and irrevocably guarantees to Company and Company’s Affiliates the full and punctual payment and performance of all present and future amounts, liabilities and obligations of Debtor to Company, Company’s Affiliates, or to any successor or transferee thereof under each of the Contracts entered into by and between Debtor and Company. Guarantor’s agreement shall apply regardless of whether the amounts, liabilities or obligations are liquidated or unliquidated, now existing or hereafter arising, in principal, interest, delinquency charges, costs and attorney’s fees, as therein stipulated, and under and pursuant to all amendments, supplements, and restatements of the Contracts (collectively, the “**Indebtedness**”).

b. The term, “Company’s Affiliates” include every business entity that controls, is controlled by, or is under common control with Company.

c. Payments made on the Indebtedness will not discharge or diminish the obligations and liability of Guarantor under this Agreement for any remaining and succeeding Indebtedness.

d. The guarantee provided for in this Agreement is an absolute, unconditional, continuing guarantee of payment and is in no way conditioned upon or limited by: (i) any attempt to collect from Debtor; (ii) any attempt to collect from, or the exercise of any rights and remedies against, any person other than Debtor who may at any time now or hereafter be primarily or secondarily liable for any or all of the Indebtedness, including, without limitation, any other maker, endorser, surety, or guarantor of all or a portion of the Indebtedness; or (iii) any resort or recourse to or against any security or collateral now or hereafter pledged, assigned, or granted to Company under the provisions of any instrument or agreement or otherwise assigned or conveyed to it.

e. If Debtor fails to pay any of the Indebtedness, when and as the same shall become due and payable (whether by acceleration, declaration, extension or otherwise), Guarantor shall on demand pay the same to Company in immediately available funds, in lawful money of the United States of America, at its address specified in or pursuant to this Agreement.

## Section 2. Solidary Obligation.

Guarantor hereby binds and obligates Guarantor and Guarantor's heirs, successors and assigns in solido with Debtor for the full and punctual payment and performance of all of the Indebtedness precisely as if the same had been contracted and were due and owing by Guarantor personally.

## Section 3. Obligations Absolute.

a. The obligations and liabilities of Guarantor under this Agreement (i) are primary obligations of Guarantor, (ii) are continuing, absolute, and unconditional, (iii) shall not be subject to any counterclaim, recoupment, set-off, reduction, or defense based upon any claim that Guarantor may have against Debtor, (iv) are independent of any other guaranty or guaranties at any time in effect with respect to all or any part of the Indebtedness, and (v) may be enforced regardless of the existence of such other guaranty or guaranties.

b. The obligations and liabilities of Guarantor under this Agreement shall not be affected, impaired, lessened, modified, waived or released by the invalidity or unenforceability of the Indebtedness or any ancillary or related document, or by the bankruptcy, reorganization, dissolution, liquidation or similar proceedings affecting Debtor or the sale or other disposition of all or substantially all of the assets of Debtor.

c. Guarantor hereby consents that at any time and from time to time, Company may, without in any manner affecting, impairing, lessening, modifying, waiving or releasing Guarantor's obligations or liabilities under this Agreement, do any one or more of the following, all without notice to, or further consent of, Guarantor:

(1) renew, extend or otherwise change the time or terms for payment of the principal of, or interest on, any of the Indebtedness or any renewals or extensions thereof;

(2) extend or change the time or terms for performance by Debtor of any other obligations, covenants or agreements;

(3) amend, compromise, release, terminate, waive, surrender, or otherwise deal with: (i) any or all of the provisions of the Indebtedness, (ii) any or all of the

obligations and liabilities of Debtor or Guarantor, or (iii) any or all property or other security given at any time as collateral by Guarantor or Debtor;

(4) sell, assign, collect, substitute, exchange or release any or all property or other security now or hereafter serving as collateral for any or all of the Indebtedness;

(5) receive additional property or other security as collateral for any or all of the Indebtedness;

(6) fail or delay to enforce, assert or exercise any right, power, privilege or remedy conferred upon Company under the provisions of any Indebtedness or under applicable laws;

(7) grant consents or indulgences or take action or omit to take action under, or in respect of, the Indebtedness; and

(8) apply any payment received from Debtor or from any source, other than Guarantor, to the Indebtedness in whatever order and manner Company may elect, and any payment received from Guarantor for or on account of this Agreement may be applied by Company to any of the Indebtedness in whatever order and manner Company may elect.

#### Section 4. Waiver by Guarantor.

Guarantor unconditionally waives, to the extent permitted by applicable laws:

a. notice of acceptance of and reliance on this Agreement or of the creation of the Indebtedness;

b. presentment, demand, dishonor, protest, notice of non-payment and notice of dishonor of the Indebtedness;

c. notice of transfer or assignment of the Indebtedness and this Agreement; and

d. all notices required by statute or otherwise to preserve any rights against Guarantor hereunder, including, without limitation, any demand, proof, or notice of non-payment of any of the Indebtedness by Debtor and notice of any failure or default on the part of Debtor to perform or comply with any term of the Indebtedness.

#### Section 5. Subrogation.

Until such time as the Indebtedness has been paid and performed in full and the provisions of this Agreement are no longer in effect, Guarantor shall not exercise any right to subrogation, reimbursement or contribution against Debtor nor any right to subrogation, reimbursement or indemnity against any property or other security serving at any time as collateral for any or all of the Indebtedness, all of which rights of subrogation, reimbursement, contribution and indemnity Guarantor subordinates to the full and punctual payment and performance of the Indebtedness.

Section 6.     Subordination.

Should Guarantor for any reason advance or lend monies to Debtor, whether or not the funds are used by Debtor to reduce the Indebtedness, Guarantor hereby agrees that any and all rights that Guarantor may have or acquire to collect from, or be reimbursed by, Debtor shall be subordinate to the rights of Company to collect and enforce the payment and performance of the Indebtedness, until such time as the Indebtedness has been fully paid and performed and the provisions of this Agreement are no longer in effect.

Section 7.     Remedies.

Upon the failure to pay or perform any of the Indebtedness when due (whether by acceleration or otherwise), Company, subject to the provisions of this Agreement, may institute a judicial proceeding for the collection of the sums or the performance of the Indebtedness so due and unpaid or unperformed, and may prosecute the proceeding to judgment for final decree, and may enforce the same against Guarantor and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of Guarantor, wherever situated. In the event of such a failure, Company shall have the right to proceed first and directly against Guarantor without proceeding against Debtor or any other person, without exhausting any other remedies which it may have and without resorting to any other security held by Company.

Section 8.     Enforcement Expenses.

Guarantor agrees to indemnify and hold Company harmless against any loss, liability, or expense, including their reasonable attorneys' fees, accounting fees and other costs and disbursements that may result from Debtor's failure to pay or perform any of the Indebtedness when and as due and payable or that may be incurred in enforcing any obligation of Debtor or Guarantor.

Section 9.     Notices.

All communications required or permitted to be given to either party hereunder shall be in writing and shall be deemed duly given on the earlier of (a) the date when delivered by hand; (b) one business day after delivery to a reputable national overnight delivery service; or (c) 4 business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. Notices shall be addressed in the manner shown on **Schedule A**, provided either party may change its address for receiving notices by appropriate written notice to the other.

Section 10.    Amendment.

Neither this Agreement nor any provisions hereof may be changed, waived, discharged or terminated orally or in any manner other than by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

Section 11. Waivers.

No course of dealing on the part of Company, its officers, employees, consultants or agents, nor any failure or delay by Company with respect to exercising any of rights, powers or privileges under this Agreement shall operate as a waiver thereof.

Section 12. Cumulative Rights.

The rights and remedies of Company under this Agreement, the Indebtedness and any ancillary or related document shall be cumulative, and the exercise or partial exercise of any such right or remedy shall not preclude the exercise of any other right or remedy.

Section 13. Titles of Articles, Sections and Subsections.

All titles or headings to articles, sections, subsections or other divisions of this Agreement are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 14. Singular and Plural.

Words used herein in the singular, where the context so permits, shall be deemed to include the plural and vice versa. The definitions of words in the singular herein shall apply to such words when used in the plural where the context so permits and vice versa.

Section 15. Dispute Resolution.

The parties adopt and incorporate by reference as part of this Agreement the Dispute Resolution provisions set forth in **Schedule B**.

Section 16. Successors and Assigns.

a. All covenants and agreements by or on behalf of Guarantor in this Agreement shall bind Guarantor's heirs, successors and assigns and shall inure to the benefit of Company and its successors and assigns.

b. This Agreement is for the benefit of Company and for such other person or persons as may from time to time become or be the holders of any of the Indebtedness, and this Agreement shall be transferable and negotiable, with the same force and effect and to the same extent as the Indebtedness may be transferable, it being understood that, any holder of the Indebtedness shall have under this Agreement, upon the transfer of the Indebtedness, all of the rights of such granted to Company.

*[Signature page follows]*

IN WITNESS WHEREOF, Guarantor has caused this Agreement to be duly executed as of the date first written above.

**Guarantor:**

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

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Company executes this Agreement to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule B**.

**Company:**

South Bay Soup Corporation

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

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_



## **SCHEDULE A**

All of the following provisions are incorporated by reference into the attached documents:

### **Ownership of Debtor**

| <b>Name</b>         | <b>Address</b> | <b>Percentage of Ownership</b> |
|---------------------|----------------|--------------------------------|
|                     |                |                                |
|                     |                |                                |
|                     |                |                                |
|                     |                |                                |
| <b><u>Total</u></b> |                | <b><u>100%</u></b>             |

### **Notices**

Debtor: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

Guarantor: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

Company: South Bay Soup Corporation  
1420 Fulton Avenue, Building B  
Sacramento, CA 95825  
ATTENTION: President, Jazen Tea®

## **SCHEDULE B**

### **DISPUTE RESOLUTION**

1. Agreement to Mediate Disputes. Except as provided in Section 2 of this Schedule B, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to a mediation proceeding conducted in accordance with the procedures stated in this Schedule B.

(a) The mediation proceeding shall be conducted pursuant to the mediation rules of JAMS (the “**Mediation Service**”). Either party may initiate the mediation proceeding (the “**Initiating Party**”) by notifying the Mediation Service in writing, with a copy to the other party (the “**Responding Party**”). The notice shall describe with specificity the nature of the dispute and the Initiating Party’s claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service’s then current rules, except to the extent such rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediation will be conducted by a single mediator, with the parties giving preference, if at all possible to either a practicing attorney with experience in business format franchising or a retired judge. To be qualified, the mediator shall have no past or present affiliation or conflict with any party to the mediation, and must be generally available to conduct the mediation within the time parameters required by this Agreement. The parties agree that the mediator and the Mediation Service’s employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

(c) The fees and expenses of the Mediation Service, including, without limitation, the mediator’s fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys’ fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator’s evaluation of each party’s case.

(d) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or the undersigned is the Initiating Party, the mediation shall be conducted at Company’s headquarters, unless otherwise required by Applicable Law.

(e) The parties shall participate in good faith in the entire mediation proceeding, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party’s behalf and on behalf of all principals of that party who are required by the terms of the parties’ settlement to be personally bound by it. The parties recognize and agree, however, that the mediator’s recommendations, if any, shall not be binding on the parties.

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection (h), and informs the parties in writing that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) Notwithstanding subsection (g), the parties agree that the mediation conference shall continue for at least 8 hours and be held on one day, if possible; if not, then over 2 consecutive days; provided, however, the parties are excused from this requirement if they succeed in reaching a written settlement in less than 8 hours.

(h) If one party breaches this Agreement by refusing to participate in the mediation proceeding in accordance with this Agreement, including, without limitation, for breaching the conditions of subsection (h), the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (aa) the mediator's fees and costs, (bb) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (cc) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (cc), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(i) At the mediator's sole discretion, or upon either party's request, the mediator will provide a written evaluation of each party's claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

(j) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment under applicable federal and state laws or rules of evidence; provided, however, that evidence otherwise discoverable or admissible shall not be rendered undiscoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

2. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to:

(a) Any claim where the amount of damages sought is \$10,000 or less.

(b) Any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond or comparable security. Once interim relief is obtained, the parties agree to submit the dispute to, or continue, mediation in accordance with this Schedule B.

(c) Any claim by Company or the holder of rights under any lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of Company's other rights under the Addendum to Lease.

3. Judicial Relief.

(a) The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this Schedule B expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of Sacramento and the United States District Court of the Eastern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this paragraph and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

(b) To the fullest extent that it may effectively do so under Applicable Laws, the undersigned waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this Schedule B, and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this Schedule B.

(c) The parties agree to waive any right to a trial by jury in any action arising out of or relating to this Agreement, as further provided in this Schedule B.

(d) In any proceeding alleging breach of this Agreement, each party shall have the right to engage in deposition and document discovery, including, in the case of Company, the right to conduct forensic examination of Guarantor's computer systems if Company reasonably believes the computer systems contain Confidential Information. In connection with any application for any interim relief, as set forth above, each party may conduct discovery on an expedited basis.

4. WAIVER OF JURY TRIAL. COMPANY AND GUARANTOR EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR GUARANTOR ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS SCHEDULE B, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE JAZEN TEA® MARKS OR THE JAZEN TEA® SYSTEM BY GUARANTOR, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

5. Choice of Law. Except as otherwise provided in this Schedule B, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises under federal law, in which event the federal law shall govern.

6. Punitive or Exemplary Damages. Company and Guarantor, and their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

7. Attorneys' Fees.

(a) Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

(b) Company shall be entitled to reimbursement of all fees, costs and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

8. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than the last to occur of the following: (i) 90 days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability.

9. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a

decision of a judge in any proceeding or action in which either Company and Franchisee, but not both of them, is a party will not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

10. Waiver of Class Action Proceedings and Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted only on an individual basis, not on a class-wide basis, and there may be no consolidation or joinder of other claims or controversies involving any other Franchisee. Any such mediation or litigation initiated or brought by either party against the other will not and may not proceed as a class action, collective action, private attorney general action or any similar representative action. Company and Franchisee both understand and agree that they are waiving any substantive or procedural rights that they might have to bring an action on a class, collective, private attorney general, representative or other similar basis.

## EXHIBIT J

### STAND-ALONE JAZEN TEA® SHOP FRANCHISE

#### **CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("AGREEMENT")**

WHEREAS, the undersigned:

CHECK AND COMPLETE APPROPRIATE BOX:

☐ is an employee, officer, director, member, manager, partner or owner of an interest in the equity or voting interests of \_\_\_\_\_, the Franchisee under, and signatory to, that certain Jazen Tea® Franchise Agreement dated \_\_\_\_\_ ("**Franchise Agreement**") entered into with South Bay Soup Corporation ("**Company**") granting Franchisee the right to own and operate one Stand-Alone Jazen Tea® Shop on the terms and conditions stated in the Jazen Tea® Franchise Agreement.

☐ [if none of the above categories applies to the undersigned] is associated in the following capacity with Franchisee named above: \_\_\_\_\_

WHEREAS, the undersigned acknowledges that, in order to induce Company to enter into the Jazen Tea® Franchise Agreement, Franchisee must cause certain persons owning an interest in, or who are employed by or associated with, Franchisee to execute this Confidentiality and Non-Disclosure and Non-Competition Agreement ("**Agreement**") for the benefit of Company.

NOW, THEREFORE, the undersigned, having read this Agreement and understanding its terms, hereby agrees as follows:

1. Definitions.

a. "Confidential Information" includes, without limitation, any information or knowledge concerning the: (i) ingredients, raw materials, recipes and food preparation processes for Proprietary Products, Non-Proprietary Products and other merchandise and services sold at Stand-Alone Jazen Tea® Shops; (ii) Company's supply relationships; (iii) sales, profit performance or other results of operations of any Stand-Alone Jazen Tea® Shop, Stand-Alone Phở Hòa® Restaurant, or Co-Branded Phở Hòa® Restaurant, including those owned and operated by Company's Affiliates or Company's Affiliates' licensees; (iv) demographic data for determining sites and territories; (v) the results of surveys and promotional programs; (vi) information pertaining to any proprietary computer system and software applications that Company may require Franchisee to use; and (vii) in general, methods, trade secrets, specifications, customer data, pricing and cost data, procedures, information systems, ideas, research, methods and knowledge about the operation of Stand-Alone Jazen Tea® Shops, Stand-Alone Phở Hòa® Restaurant or Co-Branded Phở Hòa® Restaurants, the Jazen Tea® System or the Phở Hòa® System, whether it is now known or exists or is acquired or created in the future, and whether or not the information is included in the JT Manual or in the confidential operating manuals provided to Jazen Tea® Franchisees, the subject of registration or copyright (or suitable for registration or copyright), or information which Company expressly designates as Confidential Information. Any information or knowledge that Company designates to be

confidential shall be treated as “Confidential Information” for purposes of this Agreement. Confidential Information does not include (y) information which Franchisee can demonstrate came to its attention independent of purchasing a Stand-Alone Jazen Tea® Shop Franchise and before Company’s disclosure of the information in the JT Manual or otherwise, and (z) information that Company agrees is, or has become, generally known in the public domain, except where public knowledge is the result of Franchisee’s wrongful disclosure, whether or not deliberate or inadvertent.

b. “Competitive Business” means any business that derives more than 50% of its revenue from the manufacture, sale or distribution of Asian-style “bubble” drinks at retail or wholesale regardless of whether the Competitive Business only sells one type of beverage sold at Stand-Alone Jazen Tea® Shops (e.g., fruit smoothies) and not as extensive or diverse a menu as the then-current Jazen Tea® Menu Items. A Competitive Business also includes a business that, in its entirety, so resembles the trade dress, service style and menu items that comprise the distinguishing features of the Jazen Tea® System as to create a likelihood of consumer confusion or dilution of the Jazen Tea® Marks.

c. “Covered Area” means anywhere within a 10-mile radius measured from (i) the Authorized Location; (ii) each and every other Stand-Alone Jazen Tea® Shop located anywhere in the world regardless of whether the Stand-Alone Jazen Tea® Shop opens before or after the “Effective Date of Termination or Expiration” of this Agreement, or is owned by another franchisee, Company, Company’s Affiliates or Company’s Affiliates’ licensees; and (iii) each and every Co-Branded Phở Hòa® Restaurant located anywhere in the world regardless of whether the Co-Branded Phở Hòa® Restaurant opens before or after the Effective Date of Termination or Expiration of this Agreement, or is owned by another franchisee, Company, Company’s Affiliates or Company’s Affiliates’ licensees.

d. “Covered Person” means (i) the individual executing this Agreement as Franchisee; (ii) each officer, director, shareholder, member, manager, trustee or general partner of Franchisee and each Franchisee Affiliate if Franchisee is a Business Entity; and (iii) the spouse, adult children, parents or siblings of the individuals included in (i) and (ii).

## 2. Nondisclosure of Confidential Information.

a. The undersigned agrees not to disclose, duplicate, sell, reveal, divulge, publish, furnish or communicate, either directly or indirectly, any Confidential Information to any other person, firm or entity, unless authorized in writing by Company.

b. The undersigned agrees not to use any Confidential Information for his or her own personal gain or to further the purposes of others, whether or not the Confidential Information has been conceived, originated, discovered or developed, in whole or in part, by the undersigned or represents the undersigned’s work product. To the extent the undersigned has assisted in the preparation of any information that Company considers Confidential Information or has prepared or created such information by himself or herself, the undersigned hereby assigns any rights that he or she may have in such information as creator to Company, including all ideas made or conceived by the undersigned.

c. The undersigned acknowledges that the use, publication or duplication of the Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by the undersigned.



d. The provisions concerning non-disclosure of Confidential Information shall not apply if disclosure of Confidential Information is legally compelled in a judicial or administrative proceeding, provided the undersigned shall have used its best efforts, and shall have afforded Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed.

3. Return of Proprietary Materials.

Upon expiration or termination of the Franchise Agreement, the undersigned shall surrender to Franchisee, or, if directed by Company, directly to Company, all materials in the possession of the undersigned relating or concerning any Confidential Information. The undersigned expressly acknowledges that such materials shall be and remain the sole property of Company.

4. Agreements Regarding Competition.

a. For as long as Franchisee is a party to any Franchise Agreement with Company, the undersigned agrees that he or she shall not, directly or indirectly, own, engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business; provided, however, the restrictions stated in this paragraph shall not apply to the undersigned after two (2) years from the date that the undersigned ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

b. For a period of two (2) years after the Effective Date of Termination or Expiration of the Franchise Agreement or an event of transfer as defined in the Franchise Agreement, whichever occurs first, the undersigned agrees that it, he or she shall not, directly or indirectly, own, engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business; provided, however, the restrictions stated in this paragraph shall not apply to the undersigned after two (2) years from the date that the undersigned ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

c. This Agreement does not prohibit the undersigned from owning five percent (5%) or less of the voting stock of a Competitive Business whose shares are publicly traded on a national or foreign stock exchange.

d. The parties acknowledge that the undersigned may engage in any activities not expressly prohibited by this Agreement. However, in connection with permitted activities, the undersigned shall not (i) use the Confidential Information or any of the Jazen Tea® Marks for any purpose not authorized by the Franchise Agreement; (ii) engage in any conduct or activity which suggests or implies that Company endorses, or authorizes, the undersigned's activities; or (iii) induce any person to engage in conduct prohibited by this Agreement.

5. Interference.

The undersigned agrees not to, directly or indirectly, for itself or on behalf of any other person, divert, or attempt to divert, any business or customer of any Stand-Alone Jazen Tea® Shop to any competitor by direct or indirect inducement or perform any act which directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Jazen Tea® Marks or the Jazen Tea® System.

6. Irreparable Harm to Company.

a. The undersigned acknowledges and agrees that Company will suffer irreparable injury not capable of precise measurement in monetary damages if it discloses or misuses any Confidential Information, or if the undersigned breaches the covenants set forth in this Agreement. Accordingly, in the event of a breach of this Agreement by the undersigned, the undersigned consents to entry of interim relief, including, without limitation, the entry of a temporary restraining order, preliminary injunction, permanent injunction, writ of attachment, appointment of a receiver, and any other equitable relief which the court deems necessary in order to prevent irreparable injury, all without the requirement that bond be posted.

b. The undersigned agrees that the award of equitable remedies to Company in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Company.

7. Survival.

The agreements made by the undersigned shall apply forever, surviving the expiration or termination of all contracts between Company and Franchisee.

8. Validity; Conformity With Applicable Law.

a. Wherever possible, each provision of this Agreement shall be interpreted in a manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited thereunder, the provision shall be ineffective only to the extent of the prohibition or invalidity without invalidating the remainder of this Agreement.

b. The undersigned acknowledges that pursuant to the dispute resolution provisions set forth in Schedule A, the parties adopt California law as the governing law of this Agreement. However, they further agree that if any provision of this Agreement is void or unenforceable under California law, but would be enforceable as written or as modified under the laws of any state having jurisdiction over the undersigned (the "Local Laws"), the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement regarding competition, but only with respect to the subjects covered in this paragraph 8.

9. Dispute Resolution.

The parties adopt and incorporate by reference as part of this Agreement the Dispute Resolution provisions set forth in **Schedule A** attached hereto.

10. Miscellaneous.

a. Any waiver granted to the undersigned by Company excusing or reducing any obligation or restriction imposed under this Agreement shall be evidenced by a writing executed by Company in order to be effective and shall only be effective to the extent specifically allowed in such writing. No waiver granted by Company shall constitute a continuing waiver. Any waiver granted by Company shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative. No delay on the part of Company in exercising any right or remedy shall preclude Company from fully exercising such right or remedy or any other right or remedy.

b. This Agreement sets forth the entire agreement made by the undersigned pertaining to the subject matter hereof, fully superseding any and all prior agreements or understandings that may exist between the undersigned and Company or Franchisee pertaining to such subject matter. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on the undersigned unless it is set forth in writing and duly executed by the undersigned and Company.

c. This Agreement shall be binding on the undersigned's heirs, executors, successors and assigns as though originally executed by such persons.

d. The parties agree that all capitalized terms in this Agreement are intended to have, and are assigned, the same meaning given to them in the Franchise Agreement between Company and Franchisee, and the parties hereby incorporate such definitions in this Agreement. Solely for ease of reference, the definitions of Confidential Information, Competitive Business, Covered Area and Covered Person that appear in the Franchise Agreement are reprinted in this Agreement.

11. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

*[Signature page follows]*

IN WITNESS WHEREOF, the undersigned has entered into this Agreement as of the date shown above the undersigned's signature.

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Company executes this Agreement to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule A**.

Company:

South Bay Soup Corporation

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

## **SCHEDULE A**

### **DISPUTE RESOLUTION**

1. Agreement to Mediate Disputes. Except as provided in Section 2 of this Schedule A, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to a mediation proceeding conducted in accordance with the procedures stated in this Schedule A.

(a) The mediation proceeding shall be conducted pursuant to the mediation rules of JAMS (the “**Mediation Service**”). Either party may initiate the mediation proceeding (the “**Initiating Party**”) by notifying the Mediation Service in writing, with a copy to the other party (the “**Responding Party**”). The notice shall describe with specificity the nature of the dispute and the Initiating Party’s claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service’s then current rules, except to the extent such rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediation will be conducted by a single mediator, with the parties giving preference, if at all possible to either a practicing attorney with experience in business format franchising or a retired judge. To be qualified, the mediator shall have no past or present affiliation or conflict with any party to the mediation, and must be generally available to conduct the mediation within the time parameters required by this Agreement. The parties agree that the mediator and the Mediation Service’s employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

(c) The fees and expenses of the Mediation Service, including, without limitation, the mediator’s fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys’ fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator’s evaluation of each party’s case.

(d) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or the undersigned is the Initiating Party, the mediation shall be conducted at Company’s headquarters, unless otherwise required by Applicable Law.

(e) The parties shall participate in good faith in the entire mediation proceeding, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party’s behalf and on behalf of all principals of that party who are required by the terms of the parties’ settlement to be personally bound by it. The parties recognize and agree, however, that the mediator’s recommendations, if any, shall not be binding on the parties.

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection (h), and informs the parties in writing that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) Notwithstanding subsection (g), the parties agree that the mediation conference shall continue for at least 8 hours and be held on one day, if possible; if not, then over 2 consecutive days; provided, however, the parties are excused from this requirement if they succeed in reaching a written settlement in less than 8 hours.

(h) If one party breaches this Agreement by refusing to participate in the mediation proceeding in accordance with this Agreement, including, without limitation, for breaching the conditions of subsection (h), the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (aa) the mediator's fees and costs, (bb) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (cc) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (cc), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(i) At the mediator's sole discretion, or upon either party's request, the mediator will provide a written evaluation of each party's claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

(j) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment under applicable federal and state laws or rules of evidence; provided, however, that evidence otherwise discoverable or admissible shall not be rendered undiscoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

2. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to:

(a) Any claim where the amount of damages sought is \$10,000 or less.

(b) Any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond or comparable security. Once interim relief is obtained, the parties agree to submit the dispute to, or continue, mediation in accordance with this Schedule A.

(c) Any claim by Company or the holder of rights under any lease or sublease for unlawful detainer or similar remedies available to a landlord or for the enforcement of Company's other rights under the Addendum to Lease.

3. Judicial Relief.

(a) The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this Schedule A expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of Sacramento and the United States District Court of the Eastern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this paragraph and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

(b) To the fullest extent that it may effectively do so under Applicable Laws, the undersigned waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this Schedule A, and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this Schedule A.

(c) The parties agree to waive any right to a trial by jury in any action arising out of or relating to this Agreement, as further provided in this Schedule A.

(d) In any proceeding alleging breach of this Agreement, each party shall have the right to engage in deposition and document discovery, including, in the case of Company, the right to conduct forensic examination of Franchisee's computer systems if Company reasonably believes the computer systems contain Confidential Information. In connection with any application for any interim relief, as set forth above, each party may conduct discovery on an expedited basis.

4. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR FRANCHISEE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS SCHEDULE A, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE JAZEN TEA® MARKS OR THE JAZEN TEA® SYSTEM BY FRANCHISEE, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

5. Choice of Law. Except as otherwise provided in this Schedule A, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises under federal law, in which event the federal law shall govern.

6. Punitive or Exemplary Damages. Company and Franchisee, and their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

7. Attorneys' Fees.

(a) Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action.

(b) Company shall be entitled to reimbursement of all fees, costs and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

8. Limitations Period. To the extent permitted by Applicable Law, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than the last to occur of the following: (i) 90 days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability.

9. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a



decision of a judge in any proceeding or action in which either Company and Franchisee, but not both of them, is a party will not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

10. Waiver of Class Action Proceedings and Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted only on an individual basis, not on a class-wide basis, and there may be no consolidation or joinder of other claims or controversies involving any other Franchisee. Any such mediation or litigation initiated or brought by either party against the other will not and may not proceed as a class action, collective action, private attorney general action or any similar representative action. Company and Franchisee both understand and agree that they are waiving any substantive or procedural rights that they might have to bring an action on a class, collective, private attorney general, representative or other similar basis.

## **EXHIBIT K**

### **STATE-REQUIRED ADDENDA**

Certain states require a franchisor to register with a state agency in order to offer or sell franchises to residents of the state or for locations in the state. These states are: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, VIRGINIA, WASHINGTON and WISCONSIN.

As a condition of registration in certain of these states, a franchisor must disclose additional information required by the state. In some of the states, you must sign an amendment to the Franchise Agreement. This exhibit includes all of the additional state-specific disclosures and Addendum to Franchise Agreement forms.

The following statement applies only to prospective franchisees who are residents of, or are entering a franchise agreement for a location in, the above-listed states:

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.

## CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

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

1. In addition to the information disclosed in Item 3:

Neither the Company nor any person identified in Item 2 of this Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

2. In addition to the information disclosed in Item 17:

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

- b. 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.).

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

- d. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

- e. SECTION 31125 OF THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

- f. The Franchise Agreement requires that all disagreements be resolved first by non-binding mediation, and if that process does not result in resolution, by litigation. The mediation will occur at Company's offices, presently located in Sacramento, California. The cost of mediation will be shared equally unless one party breaches the mediation provision, in which case the breaching party must pay the mediator's fees and costs, the non-breaching party's fees and costs, and to the extent permitted by law, the non-breaching party's attorneys' fees and costs in any suit arising out of the same dispute even if the breaching party is the prevailing party. This provision may not be enforceable under California law.

- g. The California Franchise Investment Law requires us to make the following disclosure:

(1) “YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A PROSPECTIVE WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTION 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A PROSPECTIVE WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043).”

(2) OUR WEBSITE IS [WWW.JAZENTEA.COM](http://WWW.JAZENTEA.COM). OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

3. The Franchise Agreement limits the time period within which you must commence an action against us. This provision may not be enforceable under California law.

4. The Franchise Agreement gives us the right at any time to modify or discontinue licensing any of the Jazen Tea® Marks or add new names, marks, designs, logos or commercial symbols to the Jazen Tea® Marks and require you to use them at your sole expense.

5. If you are a business entity, each person who owns 10% or more of the equity or voting interests of the equity of the Franchisee must personally guaranty the company's obligations to us, thereby agreeing to place his or her personal assets at risk.

## **FIRST ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF CALIFORNIA**

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between SOUTH BAY SOUP CORPORATION, a California corporation ("Company") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

### **R E C I T A L S**

A. Franchisee is a resident of the State of California or a non-resident who is acquiring franchise rights permitting the establishment and operation of a Stand-Alone Jazen Tea® Shop or the operation of a Co-Branded Phở Hòa® Restaurant in the State of California.

B. If Franchisee and Company are entering into this Addendum in connection with Franchisee's operation of a Co-Branded Phở Hòa® Restaurant, they have previously entered into, or may contemporaneously be entering into a separate Phở Hòa® Restaurant Franchise Agreement.

C. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts").

D. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of California law.

E. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the California Franchise Investment Law (California Corporations Code Sections 31000 through 31516), the provision will be deleted and will be of no force or effect.

3. 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, franchisee

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.

4. Upon the termination or non-renewal of the Franchise Agreement, if Company is required by Section 20022 of the California Business and Professions Code to purchase inventory, supplies, equipment, fixtures, and furnishings from Franchisee, Company may offset any amounts Franchisee then owes Company against the amount owed by Company to Franchisee in connection with that purchase, provided that Franchisee agrees to the amount owed to Company or Company has obtained a final adjudication of the amount owed by Franchisee.

5. Provided that at all times Franchisee remains in full compliance with the terms of the Franchise Contracts and any other agreements between Company and Franchisee, Franchisee shall not be required to pay Royalty Fees for the Franchised Shop during the first year of operations, beginning on the Opening Date.

6. This Addendum shall be effective only to the extent that jurisdictional requirements of the Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

7. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

**COMPANY:**

**SOUTH BAY SOUP CORPORATION,**  
a California corporation

**FRANCHISEE:**

**[NAME]**

By:\_\_\_\_\_

By:\_\_\_\_\_

Name:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

Title:\_\_\_\_\_

## **ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The Attorney General of Illinois requires us to make the following specific disclosures to prospective Illinois franchisees:

1. Illinois law governs the Franchise Agreement(s).
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Illinois residents and non-residents who own a franchise located in the State of Illinois will enter into the Illinois Addendum to Franchise Agreement in the form attached to this Exhibit.
6. 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.

## **FIRST ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF ILLINOIS**

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between SOUTH BAY SOUP CORPORATION, a California corporation ("Company") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

### **R E C I T A L S**

A. Franchisee is a resident of the State of Illinois or a non-resident who is acquiring franchise rights permitting the establishment and operation of a Stand-Alone Jazen Tea® Shop or the operation of a Co-Branded Phở Hòa® Restaurant in the State of Illinois.

B. If Franchisee and Company are entering into this Addendum in connection with Franchisee's operation of a Co-Branded Phở Hòa® Restaurant, they have previously entered into, or may contemporaneously be entering into a separate Phở Hòa® Restaurant Franchise Agreement.

C. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts"). If the parties are entering into this Addendum in connection with Franchisee's operation of a Co-Branded Phở Hòa® Restaurant, the Franchise Contracts shall also include the Co-Branding Addendum which is also attached as an exhibit to the Franchise Disclosure Document that Company has delivered to Franchisee.

D. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Illinois law.

E. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The provisions of the Illinois Franchise Disclosure Act of 1987 (the "Act") shall supersede any provision of the Franchise Contracts which are in conflict with the Act.

3. Among other things, the parties acknowledge Section 41 of the Act, which provides: "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. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the



provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”

4. Illinois law shall be applied to, and govern, any claim between the parties that alleges a violation of the Act.

5. To the extent that the Franchise Contracts require or permit litigation to be brought in a forum outside of the State of Illinois, the provision shall not be effective for a Franchise Agreement entered into with an Illinois resident for a business located in Illinois.

6. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Act, the provision will be deleted and will be of no force or effect.

7. 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.

8. This Addendum shall be effective only to the extent that jurisdictional requirements of the Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

9. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

**COMPANY:**

**FRANCHISEE:**

**SOUTH BAY SOUP CORPORATION,**  
a California corporation

**[NAME]**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## INDIANA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Indiana Securities Division requires the following specific disclosures to be made to prospective Indiana franchisees:

1. Indiana has a statute, the Indiana Deceptive Practices Act (the "Act"), which makes it unlawful for a franchise agreement with an Indiana resident or nonresident who will operate a franchise in Indiana to contain any of the following provisions:

a. Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where the goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute the improper designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute an improper designation. This paragraph does not apply to goods, supplies, inventories, or services that are manufactured or trademarked by, or for, the franchisor.

b. Allowing the franchisor to establish a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

c. Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

d. Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

e. Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by Indiana law or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This paragraph does not apply to arbitration before an independent arbitrator.

f. Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers before the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this paragraph.

g. Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this paragraph includes any material violation of the franchise agreement.

h. Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This paragraph shall not prohibit a franchise agreement from providing that the agreement is not renewable meets certain conditions specified in the agreement.

i. Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in the absence of an exclusive area provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

j. Limiting litigation brought for breach of the agreement in any manner whatsoever.

k. Requiring the franchisee to participate in any (i) advertising campaign or contest; (ii) promotional campaigns; (iii) promotional materials; or (iv) display decorations or materials, in each case at any expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

l. Requiring a franchisee to enter into an agreement providing the franchisor with any indemnification for liability caused by the franchisee's proper reliance on or use of procedures or materials provided by the franchisor or by the franchisor's negligence.

m. Requiring a franchisee to enter into an agreement reserving the right to injunctive relief and any specific damages to the franchisor, limiting the remedies available to either party without benefit of appropriate process or recognizing the adequacy or inadequacy of any remedy under the agreement.

2. It is unlawful for any franchisor who has entered into any franchise agreement with a franchisee who is either a resident of Indiana or a nonresident operating a franchise in Indiana to engage in any of the following acts and practices in relation to the agreement:

a. Coercing the franchisee to:

(1) Order or accept delivery of any goods, supplies, inventories, or services which are neither necessary to the operation of the franchise, required by the franchise agreement, required by law, nor voluntarily ordered by the franchisee.

(2) Order or accept delivery of any goods offered for sale by the franchisee which includes modifications or accessories which are not included in the base price of those goods as publicly advertised by the franchisor.

(3) Participate in an advertising campaign or contest, any promotional campaign, promotional materials, display decorations, or materials at an expense to the franchisee over and above the maximum percentage of gross monthly sales or the maximum absolute sum required to be spent by the franchisee provided for in the franchise agreement;

and absent a maximum expenditure provision in the franchise agreement, no such participation may be required; or

(4) Enter into any agreement with the franchisor or any designee of the franchisor, or do any other act prejudicial to the franchisee, by threatening to cancel or fail to renew any agreement between the franchisee and the franchisor. Notice in good faith to any franchisee of the franchisee's violation of the terms or provisions of a franchise or agreement does not constitute a violation of this paragraph.

b. Refusing or failing to deliver in reasonable quantities and within a reasonable time after receipt of an order from a franchisee for any goods, supplies, inventories, or services which the franchisor has agreed to supply to the franchisee, unless the failure is caused by acts or caused beyond the control of the franchisor.

c. Denying the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs, or estate maintains all standards and obligations of the franchise.

d. Establishing a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or if no exclusive territory is designated, competing unfairly with the franchisee within a reasonable area. However, a franchisor shall not be considered to be competing when operating a business either temporarily for a reasonable period of time, or in a bona fide retail operation which is for sale to any qualified independent person at a fair and reasonable price, or in a bona fide relationship in which an independent person has made a significant investment subject to loss in the business operation and can reasonably expect to acquire full ownership of such business on reasonable terms and conditions.

e. Discriminating unfairly among its franchisees or unreasonably failing or refusing to comply with any terms of a franchise agreement.

f. Obtaining money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

g. Increasing prices of goods provided by the franchisor which the franchisee had ordered for retail consumers before the franchisee's receipt of a written official price increase notification. Price increases caused by conformity to a state or federal law, the revaluation of the United States dollar in the case of foreign-made goods or pursuant to the franchise agreement are not subject to this paragraph.

h. Using deceptive advertising or engaging in deceptive acts in connection with the franchise or the franchisor's business.

3. Regardless of anything set forth in the Franchise Agreement, you do not waive any right under Indiana statutes with regard to prior representations made in the Franchise Disclosure Document.

4. The Franchise Agreement is amended to provide that it will be governed and construed in accordance with the laws of the State of Indiana.

5. Each provision of the Franchise Agreement which is unlawful pursuant to the Act is deemed to be amended by the parties to conform with the Act.

6. Indiana residents and non-residents who own a franchise located in the State of Indiana will enter into the Indiana Addendum to Franchise Agreement in the form attached to this Exhibit.

## **FIRST ADDENDUM TO FRANCHISE CONTRACTS FOR THE STATE OF INDIANA**

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between SOUTH BAY SOUP CORPORATION, a California corporation ("Company") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

### **R E C I T A L S**

A. Franchisee is a resident of the State of Indiana or a non-resident who is acquiring franchise rights permitting the establishment and operation of a Stand-Alone Jazen Tea® Shop or the operation of a Co-Branded Phở Hòa® Restaurant in the State of Indiana.

B. If Franchisee and Company are entering into this Addendum in connection with Franchisee's operation of a Co-Branded Phở Hòa® Restaurant, they have previously entered into, or may contemporaneously be entering into a separate Phở Hòa® Restaurant Franchise Agreement.

C. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts"). If the parties are entering into this Addendum in connection with Franchisee's operation of a Co-Branded Phở Hòa® Restaurant, the Franchise Contracts shall also include the Co-Branding Addendum which is also attached as an exhibit to the Franchise Disclosure Document that Company has delivered to Franchisee.

D. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Indiana law.

E. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties expressly agree that to the extent any provision in any of the Franchise Contracts conflicts with the Indiana Deceptive Practices Act (the "Act"), the parties hereby amend the Franchise Contracts to the extent necessary to cause the Franchise Contracts to conform with the Act.

3. The parties expressly agree that (i) no general release given by Franchisee under any of the Franchise Contracts shall operate to release, assign, waive or extinguish any liability arising under the Act; (ii) no provision in any of the Franchise Contracts

shall limit Franchisee's right to sue in court for violations of the Act; (iii) no provision in any of the Franchise Contracts which is intended to prevent Franchisee from relying on any statement or representation made before Franchisee signs any of the Franchise Contracts shall be applied or extend to statements contained in the Franchise Disclosure Document delivered to Franchisee before Franchisee's execution of the Franchise Contracts; and (iv) no provision which is found to be a liquidated damages provision under Indiana law shall be enforceable against Franchisee.

4. Notwithstanding anything to the contrary contained in any of the Franchise Contracts, Franchisee shall have no duty to indemnify Company for any liability that Company may sustain as a result of Franchisee's proper reliance on or use of any of the procedures or materials furnished by Company or for liability solely attributable to Company's negligence.

5. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Act, the provision will be deleted and will be of no force or effect.

6. 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. This Addendum shall be effective only to the extent that jurisdictional requirements of the Act are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

8. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

**COMPANY:**

**SOUTH BAY SOUP CORPORATION,**  
a California corporation

**FRANCHISEE:**

**[NAME]**

By:\_\_\_\_\_

By:\_\_\_\_\_

Name:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

Title:\_\_\_\_\_

## MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following provisions amend anything to the contrary in Item 17 of the Franchise Disclosure Document:

1. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law (the "Maryland Law").
2. Claims arising under the Maryland Law must be brought within 3 years after the grant of the franchise.
3. The provisions in the Franchise Agreement which provide for termination upon Franchisee's bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
4. A general release that is required as a condition of renewal, sale and/or assignment/transfer of the franchise shall not apply to any liability under Maryland Law.
5. All representations requiring a prospective franchise 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 Law.



**FIRST ADDENDUM TO FRANCHISE CONTRACTS  
FOR THE STATE OF MARYLAND**

This **FIRST ADDENDUM TO FRANCHISE CONTRACTS** ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between SOUTH BAY SOUP CORPORATION, a California corporation ("Company") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

**R E C I T A L S**

A. Franchisee is a resident of the State of Maryland or a non-resident who is acquiring franchise rights permitting the establishment and operation of a Stand-Alone Jazen Tea® Shop or the operation of a Co-Branded Phở Hòa® Restaurant in the State of Maryland.

B. If Franchisee and Company are entering into this Addendum in connection with Franchisee's operation of a Co-Branded Phở Hòa® Restaurant, they have previously entered into, or may contemporaneously be entering into a separate Phở Hòa® Restaurant Franchise Agreement.

C. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts"). If the parties are entering into this Addendum in connection with Franchisee's operation of a Co-Branded Phở Hòa® Restaurant, the Franchise Contracts shall also include the Co-Branding Addendum which is also attached as an exhibit to the Franchise Disclosure Document that Company has delivered to Franchisee.

D. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of the Maryland Franchise Registration and Disclosure Law (the "Law").

E. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. A general release that is required by the Franchise Contracts as a condition of renewal, sale and/or assignment/transfer of the franchise shall not apply to any liability under the Law.

3. All representations requiring a prospective franchisee to assent to a release, estoppel or waiver of any liability are not intended to, nor shall they act as, a release, estoppel or waiver of any liability uncured under the Law.

4. Franchisee may bring a lawsuit in Maryland for claims arising under the Law, except for claims that are required to be submitted to arbitration.

5. The parties amend any statute of limitations period in the Franchise Contracts to provide that any claims arising under the Law must be brought within 3 years after the effective date of the Franchise Agreement.

6. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Law, the provision will be deleted and will be of no force or effect.

7. 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.

8. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Law are met independently of and without reference to this Amendment. This Addendum shall have no effect if the jurisdictional requirements of the Law are not met.

9. The Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

**COMPANY:**

**FRANCHISEE:**

**SOUTH BAY SOUP CORPORATION,**  
a California corporation

**[NAME]**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

For Minnesota residents and nonresidents owning a franchise to be operated in Minnesota, the applicable sections of the Franchise Disclosure Document are amended to reflect the following wherever appropriate:

1. Minn. Stat. Sec. 80C.21 declares void any condition, stipulation or provision purporting to bind a person to waive compliance with the Minnesota franchise law (Minn. Stat. sections 80C.01 to 80C.22) and the rules promulgated thereunder (the "Minnesota Act"). To the extent that any of the contracts that you sign with us contain a general release, or require you to sign a general release at a later date, in favor of us or our affiliates, the general release will not operate to extinguish claims arising under, or relieve any person from liability imposed by, the Minnesota Act.

2. The Minnesota Act protects your right to require that the venue of any dispute not subject to binding arbitration be in Minnesota and that Minnesota law govern all contracts with us. It furthermore protects your right to a jury trial. To the extent any contract that you sign with us is inconsistent with the Minnesota Act, the contract shall be modified to conform with the Minnesota Act.

3. If any contract that you sign with us contains procedures for terminating the contract that are inconsistent with the Minnesota Act, the contract shall be modified to add the following:

"Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases enumerated in the referenced statute, that Company give Franchisee a minimum of 90 days' notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days' notice for non-renewal of the franchise agreement."

4. If any contract that you sign with us requires you to consent to our obtaining injunctive relief, the contract shall be amended to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing shall prevent us from applying to a forum for injunctive relief.

5. If any contract that you sign with us contains a limitations period for bringing claims against us which is shorter than the limitations period provided under the Minnesota Act, the contract shall be modified to conform to the Minnesota Act.

6. The Minnesota Act requires us to indemnify you from any loss, costs or expenses that you might incur arising out of a third party challenge to your authorized use of our service marks.

7. Minnesota residents and nonresidents owning a franchise to be operated in Minnesota will enter into the Minnesota Addendum to Franchise Agreement in the form attached to this Exhibit.

**FIRST ADDENDUM TO FRANCHISE CONTRACTS  
FOR THE STATE OF MINNESOTA**

This FIRST ADDENDUM TO FRANCHISE CONTRACTS ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between SOUTH BAY SOUP CORPORATION, a California corporation ("Company") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

**R E C I T A L S**

A. Franchisee is a resident of the State of Minnesota or a non-resident who is acquiring franchise rights permitting the establishment and operation of a JAZEN TEA® Restaurant in the State of Minnesota.

B. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Jazen Tea® Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Jazen Tea® Franchise Agreement; Co-Branding Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts").

C. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Minn. Stat. sections 80C.01 to 80C.22 and the rules promulgated thereunder (the "Minnesota Act").

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties agree that any provision in any of the Franchise Contracts that requires Franchisee to provide Company with a general release in violation of the Minnesota Act is illegal and of no force or effect.

3. The parties agree that if any provision in any of the Franchise Contracts requires venue to be in a state other than Minnesota, declares that the laws of a state other than Minnesota shall govern the Franchise Contracts, or requires Franchisee to waive its right to a jury trial, the applicable provision shall be amended to add the following:

"Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, nothing in this Agreement shall in any way abrogate or reduce any rights of Franchisee under Minnesota Statutes, Chapter 80C, or require Franchisee to waive his or her right to a jury trial, or require Franchisee to waive any other rights to any procedure, forum or remedies provided for by Minnesota law."

4. The parties agree that if provision in any of the Franchise Contracts contains procedures for terminating the Contract which are inconsistent with the Minnesota Act, the applicable provision shall be amended to add the following:

“Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases, that Company give Franchisee a minimum of 90 days’ notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days’ notice for non-renewal of the franchise agreement.”

5. The parties agree that any provision in any of the Franchise Contracts that requires Franchisee to consent to Company’s obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing herein shall prevent Company from applying to a forum for injunctive relief.

6. Notwithstanding anything to the contrary in any of the Franchise Contracts, Company agrees to indemnify Franchisee from any loss, costs or expenses that Franchisee incurs on account of a third party challenge to Franchisee’s authorized use of the Jazen Tea® Marks; provided, however, Company shall have no obligation to indemnify Franchisee if Franchisee’s use of the Jazen Tea® Marks is outside the scope of Company’s license.

7. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Minnesota Act, the provision will be deleted and will be of no force or effect.

8. 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.

9. If any provision in any of the Franchise Contracts contains a limitations period for bringing claims against the Company which is shorter than the limitations period provided under the Minnesota Act, the applicable provision is amended to conform to the Minnesota Act.

10. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Minnesota Act are not met.

11. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF, parties have executed this Addendum on the date first above written.

**COMPANY:**

**SOUTH BAY SOUP CORPORATION,**  
a California corporation

**FRANCHISEE:**

**[NAME]**

By:\_\_\_\_\_

By:\_\_\_\_\_

Name:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

Title:\_\_\_\_\_

## **VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

Any provision in any of the contracts that you sign with us provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et seq.).

Additional Disclosures. The following statements are added to the information that we disclose in Item 17:

1. 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.

2. 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 involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

## WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the provisions of the contracts that you enter into with us pertaining to, among other subjects, the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the provisions of the contracts that you enter into with us.

2. The “Contracts” referred to in this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document: Franchise Agreement; General Release; Addendum to Lease; Confidentiality, Non-Disclosure and Non-Competition Agreement; and Personal Guaranty (collectively referred to as the “Contracts”).

3. To the extent that the applicable governing law stipulated in any of the contracts that you sign with us conflicts with the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the “Act”), the Act shall prevail.

4. A release or waiver of rights executed by a franchisee who is a resident of Washington or who is a nonresident of Washington but operates a franchise in Washington shall not include rights that arise under the Act, except when the release or waiver is executed pursuant to a negotiated settlement agreement provided each party is represented by independent counsel in the settlement negotiations. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims arising under the Act or which reduce or limit your rights or remedies under the Act, such as the right to a jury trial, may not be enforceable under the Act.

5. Under Washington law, transfer fees are collectible to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

6. The Contracts require that all disputes (with limited exceptions) be resolved first by non-binding mediation, and if that process does not result in resolution, by court proceeding (litigation). Mediation will take place either in a mutually agreed upon place in the State of Washington, or, if there is no mutual agreement, as determined by the mediator at the time of mediation. The Franchise Agreement does not permit arbitration. Litigation must be brought in the federal or state courts located closest to our headquarters at the time the action is filed, except that any action or proceeding arising out of or in connection with the sale of a franchise or alleging a violation of the Washington Investment Protection Act may be brought in the federal or state courts in Washington.

7. The Contracts do not permit arbitration. However, Washington law requires us to disclose that any arbitration involving a franchise purchased in Washington, the arbitration site must either be in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

8. Pursuant to Washington law (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.

9. Washington law (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.

10. The Franchise Agreement includes a restriction that applies to Franchisee and each Covered Person for a period of 2 years after (i) expiration or termination of the Franchise Agreement (or if Franchisee and Company are parties to more than one Franchise Agreement, after the last Franchise Agreement); and (ii) 2 years from the date that a Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee, or otherwise associated in any capacity with Franchisee. The parties amend this provision to reduce the duration of the period from 2 years to 18 months.

11. Washington residents and non-residents who own a franchise located in the State of Washington will enter into the Washington Addendum to Franchise Agreement in the form attached to this Exhibit.

**ADDENDUM TO JAZEN TEA FRANCHISE CONTRACTS  
FOR THE STATE OF WASHINGTON**

This FIRST ADDENDUM TO JAZEN TEA FRANCHISE CONTRACTS ("Addendum") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ by and between **SOUTH BAY SOUP CORPORATION**, a California corporation ("Company") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

**R E C I T A L S**

A. Franchisee is a resident of the State of Washington or a non-resident who is acquiring franchise rights permitting the establishment and operation of a Stand-Alone Jazen Tea® Shop or the operation of a Co-Branded Phở Hòa® Restaurant in the State of Washington.

B. If Franchisee and Company are entering into this Addendum in connection with Franchisee's operation of a Co-Branded Phở Hòa® Restaurant, they have previously entered into, or may contemporaneously be entering into a separate Phở Hòa® Restaurant Franchise Agreement.

C. The "Franchise Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Conversion Addendum; Addendum to Lease; General Release; Personal Guaranty; and Confidentiality, Non-Disclosure and Non-Competition Agreement (collectively referred to as the "Franchise Contracts"). If the parties are entering into this Addendum in connection with Franchisee's operation of a Co-Branded Phở Hòa® Restaurant, the Franchise Contracts shall also include the Co-Branding Addendum which is also attached as an exhibit to the Franchise Disclosure Document that Company has delivered to Franchisee.

D. To the extent that the parties enter into any of the Franchise Contracts now or in the future, they desire to amend the Franchise Contracts in order to conform them to the requirements of Washington law.

E. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties mutually acknowledge and agree that:

a. To the extent that any provision in any of the Franchise Contracts is inconsistent with the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act shall control.

b. To the extent that the governing law provided for in each of the Franchise Contracts is inconsistent with the Act, the provisions of the Act shall prevail.

c. A release or waiver of rights executed by Franchisee shall not include a release or waiver of rights arising under the Act except when the release or waiver of rights is executed pursuant to a negotiated settlement agreement and provided that each party is represented by independent counsel.

d. To the extent that any provision in any of the Franchise Contracts unreasonably restricts or limits the statute of limitations period for claims arising under the Act, right or remedies under the Act or reduces or limits Franchisee's rights or remedies under the Act, such as the right to a jury trial, the specific provision in the Franchise Contract may not be enforceable under the Act.

3. Transfer fees payable in connection with an assignment of any of the Franchise Contracts shall be limited to Company's reasonable estimated or actual costs in approving and processing a transfer application.

4. The Franchise Contracts require that all disputes (with limited exceptions) be resolved first by non-binding mediation, and if that process does not result in resolution, by court proceeding (litigation). Mediation will take place either in a mutually agreed upon place in the State of Washington, or, if there is no mutual agreement, as determined by the mediator at the time of mediation. Litigation must be brought in the federal or state courts located closest to Company's headquarters at the time the action is filed, except that any action or proceeding arising out of or in connection with the sale of a franchise or alleging a violation of the Washington Investment Protection Act may be brought in the federal or state courts in Washington.

5. Pursuant to Washington law (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 Washington law (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 Contracts that conflict with these limitations are void and unenforceable in Washington.

6. The Franchise Agreement includes a restriction that applies to Franchisee and each Covered Person for a period of 2 years after (i) expiration or termination of the Franchise Agreement (or if Franchisee and Company are parties to more than one Franchise Agreement, after the last Franchise Agreement); and (ii) 2 years from the date that a Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee, or otherwise associated in any capacity with Franchisee. The parties amend this provision to reduce the duration of the period from 2 years to 18 months.

7. Washington law (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 Contracts are void and unenforceable in Washington.

8. With respect to any provision contained in (a) the Franchise Contracts; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to

obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Act, the provision will be deleted and will be of no force or effect.

9. 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.

10. Provided that at all times Franchisee remains in full compliance with the terms of the Franchise Contracts and any other agreements between Company and Franchisee, Franchisee shall not be required to pay Royalty Fees for the Franchised Shop during the first year of operations, beginning on the Opening Date.

11. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

12. The parties agree that the Franchise Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

**COMPANY:**

**SOUTH BAY SOUP CORPORATION,**  
a California corporation

By:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

**FRANCHISEE:**

**[NAME]**

By:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

## **EXHIBIT L**

### **FINANCIAL STATEMENTS**

The following financial statements include unaudited financial statements for the period from January 1, 2023, through March 31, 2023.

The unaudited financial statements were prepared without an audit, which means that no certified public accountant has audited the figures or expressed their opinion with regard to the content or form of the financial statements.

.

# Balance Sheet

## South Bay Soup Corp As at 31 March 2023

31 Mar 2023

31 Mar 2022

### Assets

|  |                  |                  |
|--|------------------|------------------|
| <b>Cash and Cash Equivalents</b>       |                  |                  |
| BoWest - AP - ending 9623              | 2,484            | 14,982           |
| BoWest - Main - ending 9508            | 1,137,589        | 773,331          |
| BoWest - Payroll - ending 5023         | 7,227            | 7,227            |
| BoWest-Money Market ending5031         | 100,891          | 100,881          |
| <b>Total Cash and Cash Equivalents</b> | <b>1,248,191</b> | <b>896,421</b>   |
| <b>Current Assets</b>                  |                  |                  |
| ACCOUNTS RECEIVABLE                    | 30,943           | 148,427          |
| <b>Total Current Assets</b>            | <b>30,943</b>    | <b>148,427</b>   |
| <b>Total Assets</b>                    | <b>1,279,134</b> | <b>1,044,849</b> |

### Liabilities and Equity

#### Liabilities

|  |                  |                  |
|--|------------------|------------------|
| <b>Current Liabilities</b>                             |                  |                  |
| ACCOUNTS PAYABLE                                       | 424              | 7,751            |
| Current portion of deferred franchise fee revenue      | 50,000           | 50,000           |
| Deferred Income Taxes                                  | 22,000           | 22,000           |
| Franchisee Deposits                                    | 29,500           | 17,500           |
| Rounding (992)   | 21               | 21               |
| <b>Total Current Liabilities</b>                       | <b>101,946</b>   | <b>97,272</b>    |
| <b>Non-Current Liabilities</b>                         |                  |                  |
| Deferred franchise fee revenue, net of current portion | 25,500           | 25,500           |
| Intercompany AP/AR w Aureflam USA                      | 996,149          | 823,791          |
| <b>Total Non-Current Liabilities</b>                   | <b>1,021,649</b> | <b>849,291</b>   |
| <b>Total Liabilities</b>                               | <b>1,123,594</b> | <b>946,563</b>   |
| <b>Equity</b>  |                  |                  |
| Capital Stock  | 100,000          | 100,000          |
| Current Year Earnings                                  | 54,876           | 27,935           |
| Retained Earnings                                      | 664              | (29,649)         |
| <b>Total Equity</b>                                    | <b>155,540</b>   | <b>98,285</b>    |
| <b>Total Liabilities and Equity</b>                    | <b>1,279,134</b> | <b>1,044,849</b> |

# Income Statement

## South Bay Soup Corp 1 January 2023 to 31 March 2023

31 Mar 23

### Revenue

|                      |                |
|----------------------|----------------|
| Broth Mix - Spices   | 104,652        |
| Proprietary Goods    | 61,821         |
| Royalty              | 140,581        |
| Service Fee          | 11,567         |
| <b>Total Revenue</b> | <b>318,622</b> |

### Less Cost of Sales

|                            |                |
|----------------------------|----------------|
| COGS - Broth Mix           | 104,652        |
| COGS - Fish Sauce          | 1,349          |
| COGS - Marinade Sauce      | 4,990          |
| COGS - Other               | 30,458         |
| COGS - Other (717)         | 5,153          |
| COGS - Syrup               | 15,547         |
| COGS - Tea                 | 5,999          |
| <b>Total Cost of Sales</b> | <b>168,149</b> |

|                     |                |
|---------------------|----------------|
| <b>Gross Profit</b> | <b>150,473</b> |
|---------------------|----------------|

### Operating Expenses

|                                 |               |
|---------------------------------|---------------|
| Bank Fee & Charge               | 150           |
| Discount & Promotion Meals      | (1,675)       |
| Freight & Postage               | 11,567        |
| Legal Service                   | 2,813         |
| Licensing Fees                  | 41,000        |
| Miscellaneous Expense           | 36,300        |
| Other direct operating exp      | 5,445         |
| <b>Total Operating Expenses</b> | <b>95,599</b> |

|                                  |               |
|----------------------------------|---------------|
| <b>Operating Income / (Loss)</b> | <b>54,874</b> |
|----------------------------------|---------------|

### Other Income and Expense

|                                       |          |
|---------------------------------------|----------|
| Interest Income                       | 2        |
| <b>Total Other Income and Expense</b> | <b>2</b> |

|                                       |               |
|---------------------------------------|---------------|
| <b>Net Income / (Loss) before Tax</b> | <b>54,876</b> |
|---------------------------------------|---------------|

|                   |               |
|-------------------|---------------|
| <b>Net Income</b> | <b>54,876</b> |
|-------------------|---------------|

|                                   |               |
|-----------------------------------|---------------|
| <b>Total Comprehensive Income</b> | <b>54,876</b> |
|-----------------------------------|---------------|

**SOUTH BAY SOUP CORPORATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**



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## **INDEPENDENT AUDITOR'S REPORT**

**To the Stockholder and Board of Directors  
South Bay Soup Corporation  
Sacramento, California**

### ***Opinion***

We have audited the accompanying financial statements of South Bay Soup Corporation (a California corporation), consisting of the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and retained earnings (accumulated deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Bay Soup Corporation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent South Bay Soup Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of South Bay Soup Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Bay Soup Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.



**Katz Cassidy**  
**An Accountancy Corporation**  
**Los Angeles, California**  
**March 17, 2023**

**SOUTH BAY SOUP CORPORATION****BALANCE SHEETS****DECEMBER 31, 2022 AND 2021**

|  | <u>2022</u>              | <u>2021</u>              |
|--|--------------------------|--------------------------|
| <b>Assets</b>  |                          |                          |
| <b>Current Assets</b>  |                          |                          |
| Cash   | \$ 897,772               | \$ 601,492               |
| Accounts receivable, net of allowance for doubtful accounts                      | <u>48,586</u>            | <u>143,295</u>           |
| Total Current Assets   | <u>946,358</u>           | <u>744,787</u>           |
| Total Assets   | <u><u>\$ 946,358</u></u> | <u><u>\$ 744,787</u></u> |
| <b>Liabilities and Stockholder's Equity</b>                                      |                          |                          |
| <b>Current Liabilities</b>   |                          |                          |
| Accounts payable   | \$ 15,000                | \$ 16,433                |
| Income taxes payable   | 14,700                   | -                        |
| Deposit liabilities  | 25,000                   | 13,000                   |
| Current portion of deferred franchise fee revenue                                | 15,000                   | 50,000                   |
| Due to stockholder   | <u>718,560</u>           | <u>543,004</u>           |
| Total Current Liabilities  | <u>788,260</u>           | <u>622,437</u>           |
| <b>Long-Term Liabilities</b>   |                          |                          |
| Deferred franchise fee revenue, net of current portion                           | 10,000                   | 30,000                   |
| Deferred income taxes  | <u>7,500</u>             | <u>22,000</u>            |
| Total Long-Term Liabilities  | <u>17,500</u>            | <u>52,000</u>            |
| Total Liabilities  | <u>805,760</u>           | <u>674,437</u>           |
| <b>Stockholder's Equity</b>  |                          |                          |
| Common stock, no par value: 100,000 shares authorized,<br>issued and outstanding | 100,000                  | 100,000                  |
| Retained earnings (accumulated deficit)  | <u>40,598</u>            | <u>(29,650)</u>          |
| Total Stockholder's Equity   | <u>140,598</u>           | <u>70,350</u>            |
| Total Liabilities and Stockholder's Equity                                       | <u><u>\$ 946,358</u></u> | <u><u>\$ 744,787</u></u> |

The accompanying notes are an integral part of these financial statements.

**SOUTH BAY SOUP CORPORATION**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS (ACCUMULATED DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

|   | <u>2022</u>             | <u>2021</u>               |
|---|-------------------------|---------------------------|
| <b>Income</b>   |                         |                           |
| Product sales   | \$ 727,884              | \$ 781,838                |
| Royalties   | 529,429                 | 488,643                   |
| Franchise fees  | 47,000                  | 40,000                    |
| Total Income  | <u>1,304,313</u>        | <u>1,310,481</u>          |
| <b>Cost of Goods Sold</b>                               | <u>683,688</u>          | <u>734,354</u>            |
| <b>Gross Profit</b>                                     | <u>620,625</u>          | <u>576,127</u>            |
| <b>Operating Expenses</b>                               |                         |                           |
| Bad debts   | 125,743                 | 95,000                    |
| Freight and postage                                     | 43,946                  | 47,120                    |
| Licensing fees  | 246,000                 | 214,600                   |
| Management fees   | 145,200                 | 145,200                   |
| Professional fees                                       | 38,572                  | 43,844                    |
| Other operating expenses                                | 996                     | 2,200                     |
| Total Operating Expenses                                | <u>600,457</u>          | <u>547,964</u>            |
| <b>Net Income from Operations</b>                       | <u>20,168</u>           | <u>28,163</u>             |
| <b>Other Income</b>                                     |                         |                           |
| Franchise termination fee                               | 50,000                  | -                         |
| Pandemic assistance income                              | -                       | 25,000                    |
| Other income  | 1,080                   | 10                        |
| Total Other Income                                      | <u>51,080</u>           | <u>25,010</u>             |
| <b>Net Income Before Income Taxes</b>                   | <u>71,248</u>           | <u>53,173</u>             |
| <b>Income Tax Expense</b>                               |                         |                           |
| Current   | 15,500                  | 3,989                     |
| Deferred  | (14,500)                | 22,000                    |
| Total Income Tax Expense                                | <u>1,000</u>            | <u>25,989</u>             |
| <b>Net Income</b>                                       | 70,248                  | 27,184                    |
| <b>Accumulated Deficit - Beginning</b>                  | <u>\$ (29,650)</u>      | <u>(56,834)</u>           |
| <b>Retained Earnings (Accumulated Deficit) - Ending</b> | <u><u>\$ 40,598</u></u> | <u><u>\$ (29,650)</u></u> |

The accompanying notes are an integral part of these financial statements.

**SOUTH BAY SOUP CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

|   | <u>2022</u>              | <u>2021</u>              |
|---|--------------------------|--------------------------|
| <b>Cash Flows from Operating Activities:</b>                                      |                          |                          |
| Net income  | \$ 70,248                | \$ 27,184                |
| Adjustments to reconcile net income to net cash provided by operating activities: |                          |                          |
| Bad debt expense  | 125,743                  | 95,000                   |
| Increase in:  |                          |                          |
| Accounts receivable   | (31,034)                 | (83,866)                 |
| Increase (decrease) in:   |                          |                          |
| Accounts payable  | (1,433)                  | (20,366)                 |
| Income taxes payable  | 14,700                   | -                        |
| Deposit liabilities   | 12,000                   | -                        |
| Deferred franchise revenue  | (55,000)                 | (5,000)                  |
| Deferred income taxes   | (14,500)                 | 22,000                   |
|   | <u>120,724</u>           | <u>34,952</u>            |
| <b>Net Cash Provided by Operating Activities</b>                                  | 120,724                  | 34,952                   |
| <b>Cash Flows from Financing Activities:</b>                                      |                          |                          |
| Net increase (decrease) in due to stockholder                                     | <u>175,556</u>           | <u>(35,938)</u>          |
| <b>Net Increase (Decrease) in Cash</b>  | 296,280                  | (986)                    |
| <b>Cash - Beginning</b>   | <u>601,492</u>           | <u>602,478</u>           |
| <b>Cash - Ending</b>  | <u><u>\$ 897,772</u></u> | <u><u>\$ 601,492</u></u> |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

**Cash paid during the year for:**

|              |                      |                      |
|--------------|----------------------|----------------------|
| Income taxes | <u><u>\$ 800</u></u> | <u><u>\$ 800</u></u> |
|--------------|----------------------|----------------------|

The accompanying notes are an integral part of these financial statements.

**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of South Bay Soup Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

Nature of Business

The Company is a California corporation formed in 2005. It is the franchisor of Pho Hoa casual dining restaurants and the Jazen Tea line of beverage products.

Basis of Financial Statements

The financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U. S. GAAP).

Accounts Receivable

The Company provides for uncollectible accounts in the year they are determined to be uncollectible. Based on management's evaluation of accounts receivable, no allowance for doubtful accounts is necessary as of December 31, 2022. The allowance for doubtful accounts as of December 31, 2021 is \$45,000

Revenue Recognition

The Company receives revenue from the sale of franchises and from royalties based either on a flat monthly rate or a percentage of franchisee sales, depending on the franchise agreement. Royalty revenue is recognized as franchisee sales occur. Franchisees also pay a marketing fee based either on a flat monthly rate or a percentage of franchisee sales, depending on the franchise agreement. Marketing fees are not included in revenue and are remitted to the Company's parent (Note 3), which is responsible for advertising, marketing, and brand awareness.

The Company's franchise agreements have an initial term of five years with two five-year renewal periods available at the franchisee's option, subject to certain requirements established by the Company. In consideration for the initial franchise fee and continuing royalties and other amounts specified in the franchise agreement, the Company sublicenses new franchisees to use the Pho Hoa and Jazen Tea trademarks and operating system, and provides training, preopening assistance, and shop operating assistance.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. The amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

ASU 2014-09 initially required revenue from the licensing of symbolic intellectual property to be recognized over the period of time during which the franchisee has access to such intellectual property. In January 2021, FASB provided a practical expedient under which franchisors may account for pre-opening services provided to a franchisee or other licensee as distinct performance obligations and recognize revenue accordingly. Franchisors may also elect to treat specific pre-opening activities identified by FASB as a single performance obligation. The Company has adopted the practical expedient as of the earliest period presented in the financial statements, but has not elected to treat all eligible pre-opening activities as a single performance obligation.

Management estimates that services provided from the execution of a franchise agreement until the franchisee receives site approval account for 50% of its pre-opening performance obligations. Services provided after site approval until the location opens account for the remaining 50% of its pre-opening performance obligations. Management believes that the value of its performance obligations after opening, consisting primarily of licensing, are equal to the royalties charged to each location. Therefore 50% of the franchise fee is recognized as revenue upon site approval, and 50% upon the opening of each location.

Research and Development

Costs relating to designing and developing new products which will be used by the Company's franchisees are expensed as incurred.

Income Taxes

Deferred income taxes are provided for timing differences between financial and taxable income before income taxes, consisting primarily of differences in the recognition of franchise fee revenue. A valuation allowance is provided for any portion of a deferred tax asset that will not be realized.

The Company has determined that there are no uncertain tax positions that would have a material effect on the consolidated financial statements as of December 31, 2022 or 2021. No income tax examinations are currently pending.

Concentrations of Credit Risk

The Company maintains its cash with various commercial banks which are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation. At times, account balances may exceed insured limits. The Company has not experienced any losses on these accounts, and management believes the Company is not exposed to any significant risk related to its cash accounts.

Use of Estimates

The preparation of financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.



**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reclassifications

Certain prior year amounts have been reclassified to be consistent with the current year presentation.

**2. FRANCHISE ACTIVITY**

The Company sells Pho Hoa and Jazen Tea franchises as stand-alone businesses, or the franchises can be purchased together as a co-branded business. The Company entered into one co-branded franchise agreement during each year ended December 31, 2022 and 2021.

Following is a summary of operational stand-alone and co-branded Pho Hoa franchise locations for the years ended December 31, 2022 and 2021:

|                                | Franchisee<br>Owned | Owned by<br>Aureflam<br>(Note 3) | Total |
|--------------------------------|---------------------|----------------------------------|-------|
| Locations at December 31, 2020 | 19                  | 4                                | 23    |
| Locations opened               | 1                   | -                                | 1     |
| Locations closed               | -                   | (1)                              | (1)   |
| Locations at December 31, 2021 | 20                  | 3                                | 23    |
| Locations opened               | 3                   | -                                | 3     |
| Locations closed               | (5)                 | -                                | (5)   |
| Locations at December 31, 2022 | 18                  | 3                                | 21    |

As of both December 31, 2022 and 2021, two and six franchisees, respectively, have signed Pho Hoa franchise agreements but have not yet opened for business.

Following is a summary of operational stand-alone and co-branded Jazen Tea franchise locations for the years ended December 31, 2022 and 2021:

|                                | Franchisee<br>Owned | Owned by<br>Aureflam<br>(Note 3) | Total |
|--------------------------------|---------------------|----------------------------------|-------|
| Locations at December 31, 2020 | 11                  | 4                                | 15    |
| Locations opened               | 1                   | -                                | 1     |
| Locations closed               | -                   | (1)                              | (1)   |
| Locations at December 31, 2021 | 12                  | 3                                | 15    |
| Locations opened               | 2                   | -                                | 2     |
| Locations closed               | (3)                 | -                                | (3)   |
| Locations at December 31, 2022 | 11                  | 3                                | 14    |

**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**2. FRANCHISE ACTIVITY (Continued)**

As of December 31, 2022 and 2021, one and five franchisees, respectively, have signed Jazen Tea franchise agreements but have not yet opened for business.

During the year ended December 31, 2022, one Pho Hoa franchisee ceased operations and terminated their franchise agreement in exchange for a termination fee of \$50,000. In addition, one franchisee who had signed a Pho Hoa agreement and paid a \$20,000 franchise fee decided not to proceed with location approval. Franchise fee revenue for the year ended December 31, 2022 includes \$5,000 related to the cancelation of this agreement. The remaining \$15,000 will be refunded to the franchisee and is included in accounts payable as of December 31, 2022.

**3. RELATED PARTY TRANSACTIONS**

Franchisees are required to purchase most of their products and ingredients from the Company.

The Company's parent, Aureflam Corporation (Aureflam) owns the Pho Hoa and Jazen Tea trade names, trademarks and other intellectual property (IP) used in the Company's franchised locations. Aureflam licenses the IP to the Company and allows the Company to sublicense the IP to franchisees for a fee equal to 50% of royalties collected in 2022. During 2021 the fee was \$1,430 per franchisee per month. During the year ended December 31, 2021, Aureflam reduced or waived some licensing fees due to the effects of the COVID-19 pandemic (Note 6). Licensing fees for the years ended December 31, 2022 and 2021 were \$246,000 and \$214,600, respectively.

The Company pays Aureflam a management fee of \$10,000 per month for certain shared operating expenses. Total management fee expense for each of the years ended December 31, 2022 and 2021 was \$145,200. The Company has a payable to Aureflam for licensing and management fees and advanced expenses totaling \$718,560 and \$543,004 as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, Aureflam operates a total of three restaurants for which the Company receives no franchise fees or royalties.

Marketing funds collected from franchisees are remitted to Aureflam, which is responsible for advertising, marketing, and brand awareness.

**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**4. INCOME TAXES**

The provision for income taxes for the year ended December 31, 2022 consists of the following:

|          | <u>Federal</u>  | <u>California</u> | <u>Total</u>    |
|----------|-----------------|-------------------|-----------------|
| Current  | \$ 12,000       | \$ 3,500          | \$ 15,500       |
| Deferred | <u>(10,000)</u> | <u>(4,500)</u>    | <u>(14,500)</u> |
| Total    | <u>\$ 2,000</u> | <u>\$ (1,000)</u> | <u>\$ 1,000</u> |

The provision for income taxes for the year ended December 31, 2021 consists of the following:

|          | <u>Federal</u>   | <u>California</u> | <u>Total</u>     |
|----------|------------------|-------------------|------------------|
| Current  | \$ 564           | \$ 3,425          | \$ 3,989         |
| Deferred | <u>15,000</u>    | <u>7,000</u>      | <u>22,000</u>    |
| Total    | <u>\$ 15,564</u> | <u>\$ 10,425</u>  | <u>\$ 25,989</u> |

**5. ECONOMIC CONCENTRATIONS**

As of December 31, 2022, four franchisees operating four locations account for approximately 79% of the Company's accounts receivable. As of December 31, 2022 the Company's royalty revenue is derived from 18 Pho Hoa and 11 Jazen Tea locations owned by franchisees and operating in the United States. For the year ended December 31, 2022, two franchisees operating five locations accounted for approximately 37% of royalty revenue.

As of December 31, 2021, three franchisees operating four locations account for approximately 92% of the Company's accounts receivable. As of December 31, 2021, the Company's royalty revenue is derived from 20 Pho Hoa and 12 Jazen Tea locations owned by franchisees and operating in the United States. For the year ended December 31, 2021, three franchisees operating seven locations accounted for approximately 46% of royalty revenue.

**6. COVID-19 PANDEMIC**

On January 30, 2020, the World Health Organization declared an international public health emergency over the spread of the COVID-19 coronavirus. The outbreak and responses to the virus have significantly disrupted and will continue to disrupt the Company's business. The extent of the impact of COVID-19 on the operational and financial performance of the Company will depend on future developments, including the duration and spread of the outbreak, and the impact on franchisees, customers, employees and vendors, all of which are uncertain and cannot be predicted.

The Company waived or reduced royalties and marketing fees for some franchisees during 2022 and 2021 to accommodate a severe decline in sales during the period.

**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**7. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 17, 2023, the date on which the financial statements were available to be issued.

**SOUTH BAY SOUP CORPORATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**INDEPENDENT AUDITOR'S REPORT**

**To the Stockholder and Board of Directors  
South Bay Soup Corporation  
Sacramento, California**

***Opinion***

We have audited the accompanying financial statements of South Bay Soup Corporation (a California corporation), consisting of the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and retained earnings (accumulated deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Bay Soup Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent South Bay Soup Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Prior Period Financial Statements***

The financial statements of South Bay Soup Corporation were audited by other auditors whose report dated March 27, 2020 expressed an unmodified opinion on those statements.

***Responsibilities of Management for the Financial Statements***

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of South Bay Soup Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Bay Soup Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.



**Katz Cassidy**  
**An Accountancy Corporation**  
**Los Angeles, California**  
**March 25, 2022**



**SOUTH BAY SOUP CORPORATION**

**BALANCE SHEETS**

**DECEMBER 31, 2021 AND 2020**

|  | <u>2021</u>              | <u>2020</u>              |
|--|--------------------------|--------------------------|
| <b>Assets</b>  |                          |                          |
| <b>Current Assets</b>  |                          |                          |
| Cash   | \$ 601,492               | \$ 602,478               |
| Accounts receivable, net of allowance for doubtful accounts                      | <u>143,295</u>           | <u>154,429</u>           |
| Total Current Assets   | <u>744,787</u>           | <u>756,907</u>           |
| Total Assets   | <u><u>\$ 744,787</u></u> | <u><u>\$ 756,907</u></u> |
| <b>Liabilities and Stockholder's Equity</b>                                      |                          |                          |
| <b>Current Liabilities</b>   |                          |                          |
| Accounts payable   | \$ 16,433                | \$ 36,799                |
| Deposit liabilities  | 13,000                   | 13,000                   |
| Current portion of deferred franchise fee revenue                                | 50,000                   | 25,000                   |
| Due to stockholder   | <u>543,004</u>           | <u>578,942</u>           |
| Total Current Liabilities  | <u>622,437</u>           | <u>653,741</u>           |
| <b>Long-Term Liabilities</b>   |                          |                          |
| Deferred franchise fee revenue, net of current portion                           | 30,000                   | 60,000                   |
| Deferred income taxes  | <u>22,000</u>            | <u>-</u>                 |
| Total Long-Term Liabilities  | <u>52,000</u>            | <u>60,000</u>            |
| Total Liabilities  | <u>674,437</u>           | <u>713,741</u>           |
| <b>Stockholder's Equity</b>  |                          |                          |
| Common stock, no par value: 100,000 shares authorized,<br>issued and outstanding | 100,000                  | 100,000                  |
| Accumulated deficit  | <u>(29,650)</u>          | <u>(56,834)</u>          |
| Total Stockholder's Equity   | <u>70,350</u>            | <u>43,166</u>            |
| Total Liabilities and Stockholder's Equity                                       | <u><u>\$ 744,787</u></u> | <u><u>\$ 756,907</u></u> |

The accompanying notes are an integral part of these financial statements.

**SOUTH BAY SOUP CORPORATION**  
**STATEMENTS OF INCOME AND ACCUMULATED DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

|  | <u>2021</u>               | <u>2020</u>               |
|--|---------------------------|---------------------------|
| <b>Income</b>                          |                           |                           |
| Product sales                          | \$ 781,838                | \$ 557,290                |
| Royalties                              | 488,643                   | 396,589                   |
| Franchise fees                         | 40,000                    | 112,500                   |
| Total Income                           | <u>1,310,481</u>          | <u>1,066,379</u>          |
| <b>Cost of Goods Sold</b>              | <u>734,354</u>            | <u>526,100</u>            |
| <b>Gross Profit</b>                    | <u>576,127</u>            | <u>540,279</u>            |
| <b>Operating Expenses</b>              |                           |                           |
| Bad debts                              | 95,000                    | 75,000                    |
| Commissions                            | -                         | 28,455                    |
| Freight and postage                    | 47,120                    | 31,190                    |
| Licensing fees                         | 214,600                   | 148,590                   |
| Management fees                        | 145,200                   | 145,200                   |
| Professional fees                      | 43,844                    | 62,720                    |
| Other operating expenses               | 2,200                     | 939                       |
| Total Operating Expenses               | <u>547,964</u>            | <u>492,094</u>            |
| <b>Net Income from Operations</b>      | <u>28,163</u>             | <u>48,185</u>             |
| <b>Other Income</b>                    |                           |                           |
| Interest income                        | 10                        | 22                        |
| Other income                           | 25,000                    | 9,728                     |
| Total Other Income                     | <u>25,010</u>             | <u>9,750</u>              |
| <b>Net Income Before Income Taxes</b>  | <u>53,173</u>             | <u>57,935</u>             |
| <b>Income Tax Expense</b>              |                           |                           |
| Current                                | 3,989                     | 800                       |
| Deferred                               | 22,000                    | -                         |
| Total Income Tax Expense               | <u>25,989</u>             | <u>800</u>                |
| <b>Net Income</b>                      | 27,184                    | 57,135                    |
| <b>Accumulated Deficit - Beginning</b> | <u>\$ (56,834)</u>        | <u>(113,969)</u>          |
| <b>Accumulated Deficit - Ending</b>    | <u><u>\$ (29,650)</u></u> | <u><u>\$ (56,834)</u></u> |

The accompanying notes are an integral part of these financial statements.

**SOUTH BAY SOUP CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

|  | <u>2021</u>              | <u>2020</u>              |
|--|--------------------------|--------------------------|
| <b>Cash Flows from Operating Activities:</b>   |                          |                          |
| Net income   | \$ 27,184                | \$ 57,135                |
| Adjustments to reconcile net income to net cash provided by<br>(used in) operating activities: |                          |                          |
| (Increase) decrease in:  |                          |                          |
| Accounts receivable  | 11,134                   | (2,196)                  |
| Increase (decrease) in:  |                          |                          |
| Accounts payable   | (20,366)                 | 33,438                   |
| Accrued expenses   | -                        | (23,400)                 |
| Deposit liabilities  | -                        | (14,500)                 |
| Deferred franchise revenue   | (5,000)                  | (82,500)                 |
| Deferred income taxes  | 22,000                   | -                        |
|  | <u>34,952</u>            | <u>(32,023)</u>          |
| <b>Net Cash Provided by (Used in) Operating Activities</b>                                     | <u>34,952</u>            | <u>(32,023)</u>          |
| <b>Cash Flows from Financing Activities:</b>   |                          |                          |
| Net increase (decrease) in due to stockholder  | <u>(35,938)</u>          | <u>278,126</u>           |
| <b>Net Increase (Decrease) in Cash</b>   | <u>(986)</u>             | <u>246,103</u>           |
| <b>Cash - Beginning</b>  | <u>602,478</u>           | <u>356,375</u>           |
| <b>Cash - Ending</b>   | <u><u>\$ 601,492</u></u> | <u><u>\$ 602,478</u></u> |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

**Cash paid during the year for:**

|              |                        |                      |
|--------------|------------------------|----------------------|
| Income taxes | <u><u>\$ 3,989</u></u> | <u><u>\$ 800</u></u> |
|--------------|------------------------|----------------------|

The accompanying notes are an integral part of these financial statements.

**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of South Bay Soup Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

Nature of Business

The Company is a California corporation formed in 2005. It is the franchisor of Pho Hoa casual dining restaurants and the Jazen Tea line of beverage products.

Basis of Financial Statements

The financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U. S. GAAP).

Accounts Receivable

The Company provides for uncollectible accounts in the year they are determined to be uncollectible. Based on management's evaluation of accounts receivable, the allowance for doubtful accounts is \$45,000 and \$75,000 as of December 31, 2021 and 2020, respectively.

Revenue Recognition

The Company receives revenue from the sale of franchises and from royalties based either on a flat monthly rate or a percentage of franchisee sales, depending on the franchise agreement. Royalty revenue is recognized as franchisee sales occur. Franchisees also pay a marketing fee based either on a flat monthly rate or a percentage of franchisee sales, depending on the franchise agreement. Marketing fees are not included in revenue and are remitted to the Company's parent (Note 3), which is responsible for advertising, marketing, and brand awareness.

The Company's franchise agreements have an initial term of five years with two five-year renewal periods available at the franchisee's option, subject to certain requirements established by the Company. In consideration for the initial franchise fee and continuing royalties and other amounts specified in the franchise agreement, the Company sublicenses new franchisees to use the Pho Hoa and Jazen Tea trademarks and operating system, and provides training, preopening assistance, and shop operating assistance.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. The amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

ASU 2014-09 initially required revenue from the licensing of symbolic intellectual property to be recognized over the period of time during which the franchisee has access to such intellectual property. In January 2021, FASB provided a practical expedient under which franchisors may account for pre-opening services provided to a franchisee or other licensee as distinct performance obligations and recognize revenue accordingly. Franchisors may also elect to treat specific pre-opening activities identified by FASB as a single performance obligation. The Company has adopted the practical expedient as of the earliest period presented in the financial statements, but has not elected to treat all eligible pre-opening activities as a single performance obligation.

Management estimates that services provided from the execution of a franchise agreement until the franchisee receives site approval account for 50% of its pre-opening performance obligations. Services provided after site approval until the location opens account for the remaining 50% of its pre-opening performance obligations. Management believes that the value of its performance obligations after opening, consisting primarily of licensing, are equal to the royalties charged to each location. Therefore 50% of the franchise fee is recognized as revenue upon site approval, and 50% upon the opening of each location.

Research and Development

Costs relating to designing and developing new products which will be used by the Company's franchisees are expensed as incurred.

Income Taxes

Deferred income taxes are provided for timing differences between financial and taxable income before income taxes, consisting primarily of differences in the recognition of franchise fee revenue. A valuation allowance is provided for any portion of a deferred tax asset that will not be realized.

The Company has determined that there are no uncertain tax positions that would have a material effect on the consolidated financial statements as of December 31, 2021 or 2020. No income tax examinations are currently pending.

Concentrations of Credit Risk

The Company maintains its cash with various commercial banks which are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation. At times, account balances may exceed insured limits. The Company has not experienced any losses on these accounts, and management believes the Company is not exposed to any significant risk related to its cash accounts.

Use of Estimates

The preparation of financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**2. FRANCHISE ACTIVITY**

The Company sells Pho Hoa and Jazen Tea franchises as stand-alone businesses, or the franchises can be purchased together as a co-branded business. The Company entered into one co-branded franchise agreement during each year ended December 31, 2021 and 2020.

Following is a summary of operational stand-alone and co-branded Pho Hoa franchise locations for the years ended December 31, 2021 and 2020:

|                                   | Franchisee<br>Owned | Owned by<br>Aureflam<br>(Note 3) | Total     |
|-----------------------------------|---------------------|----------------------------------|-----------|
| Locations as of December 31, 2019 | 17                  | 5                                | 22        |
| Locations opened                  | 4                   | -                                | 4         |
| Locations closed                  | (2)                 | (1)                              | (3)       |
| Locations at December 31, 2020    | 19                  | 4                                | 23        |
| Locations opened                  | 1                   | -                                | 1         |
| Locations closed                  | -                   | (1)                              | (1)       |
| Locations at December 31, 2021    | <u>20</u>           | <u>3</u>                         | <u>23</u> |

As of both December 31, 2021 and 2020, six and five franchisees, respectively, have signed Pho Hoa franchise agreements but have not yet opened for business.

Following is a summary of operational stand-alone and co-branded Jazen Tea franchise locations for the years ended December 31, 2021 and 2020:

|                                   | Franchisee<br>Owned | Owned by<br>Aureflam<br>(Note 3) | Total     |
|-----------------------------------|---------------------|----------------------------------|-----------|
| Locations as of December 31, 2019 | 11                  | 5                                | 16        |
| Locations opened                  | 3                   | -                                | 3         |
| Locations closed                  | (3)                 | (1)                              | (4)       |
| Locations at December 31, 2020    | 11                  | 4                                | 15        |
| Locations opened                  | 1                   | -                                | 1         |
| Locations closed                  | -                   | (1)                              | (1)       |
| Locations at December 31, 2021    | <u>12</u>           | <u>3</u>                         | <u>15</u> |

As of December 31, 2021 and 2020, five and four franchisees, respectively, have signed Jazen Tea franchise agreements but have not yet opened for business.

**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**3. RELATED PARTY TRANSACTIONS**

Franchisees are required to purchase most of their products and ingredients from the Company.

The Company's parent, Aureflam Corporation (Aureflam) owns the Pho Hoa and Jazen Tea trade names, trademarks and other intellectual property (IP) used in the Company's franchised locations. Aureflam licenses the IP to the Company and allows the Company to sublicense the IP to franchisees for a fee, which was \$1,430 per franchisee per month during 2021 and 2020. During the years ended December 31, 2021 and 2020, Aureflam reduced or waived some licensing fees due to the effects of the COVID-19 pandemic (Note 6). Licensing fees for the years ended December 31, 2021 and 2020 were \$214,600 and \$148,590, respectively.

The Company pays Aureflam a management fee of \$10,000 per month for certain shared operating expenses. Total management fee expense for each of the years ended December 31, 2021 and 2020 was \$145,200. As of December 31, 2021 and 2020, the Company has a payable to Aureflam for advanced expenses totaling \$543,004 and \$578,942, respectively.

As of December 31, 2021 and 2020, Aureflam operates a total of three and four restaurants, respectively, for which the Company receives no franchise fees or royalties.

Marketing funds collected from franchisees are remitted to Aureflam, which is responsible for advertising, marketing, and brand awareness.

**4. INCOME TAXES**

The provision for income taxes for the year ended December 31, 2021 consists of the following:

|          | <u>Federal</u>   | <u>California</u> | <u>Total</u>     |
|----------|------------------|-------------------|------------------|
| Current  | \$ 564           | \$ 3,425          | \$ 3,989         |
| Deferred | <u>15,000</u>    | <u>7,000</u>      | <u>22,000</u>    |
| Total    | <u>\$ 15,564</u> | <u>\$ 10,425</u>  | <u>\$ 25,989</u> |

The provision for income taxes for the year ended December 31, 2020 consists of the following:

|          | <u>Federal</u> | <u>California</u> | <u>Total</u>  |
|----------|----------------|-------------------|---------------|
| Current  | \$ -           | \$ 800            | \$ 800        |
| Deferred | <u>-</u>       | <u>-</u>          | <u>-</u>      |
| Total    | <u>\$ -</u>    | <u>\$ 800</u>     | <u>\$ 800</u> |

**SOUTH BAY SOUP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**5. ECONOMIC CONCENTRATIONS**

As of December 31, 2021, three franchisees operating four locations account for approximately 92% of the Company's accounts receivable. As of December 31, 2021 the Company's royalty revenue is derived from 20 Pho Hoa and 12 Jazen Tea locations owned by franchisees and operating in the United States. For the year ended December 31, 2021, three franchisees operating seven locations accounted for approximately 46% of royalty revenue.

As of December 31, 2020, three franchisees operating four locations account for approximately 87% of the Company's accounts receivable, respectively. As of December 31, 2020, the Company's royalty revenue is derived from 19 Pho Hoa and 11 Jazen Tea locations owned by franchisees and operating in the United States. For the year ended December 31, 2020, three franchisees operating six locations accounted for approximately 41% of royalty revenue.

**6. COVID-19 PANDEMIC**

On January 30, 2020, the World Health Organization declared an international public health emergency over the spread of the COVID-19 coronavirus. The outbreak and responses to the virus have significantly disrupted and will continue to disrupt the Company's business. The extent of the impact of COVID-19 on the operational and financial performance of the Company will depend on future developments, including the duration and spread of the outbreak, and the impact on franchisees, customers, employees and vendors, all of which are uncertain and cannot be predicted.

The Company waived or reduced royalties and marketing fees for some franchisees during 2021 and 2020 to accommodate a severe decline in sales during the period.

**7. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 25, 2022, the date on which the financial statements were available to be issued.



**EXHIBIT M-1****OPERATING STAND-ALONE JAZEN TEA® SHOPS  
AND CO-BRANDED PHỞ HÒA® RESTAURANTS****CURRENT STAND-ALONE JAZEN TEA® SHOP FRANCHISEES AND  
CO-BRANDED PHỞ HÒA® RESTAURANT FRANCHISEES AS OF  
FISCAL YEAR END DECEMBER 31, 2022**

| <b>Stand-Alone<br/>Jazen Tea®<br/>Shop (JT) or<br/>Co-Branded<br/>Phở Hòa®<br/>Restaurant<br/>(Co-B)</b> | <b>Franchise<br/>name</b>      | <b>Address</b>                      | <b>City</b>       | <b>State</b> | <b>Zip<br/>Code</b> | <b>Name</b>  | <b>Telephone<br/>Number</b> |
|--|--------------------------------|-------------------------------------|-------------------|--------------|---------------------|--|-----------------------------|
| Co-B   | Jazen Tea<br>Santa<br>Clara    | 3147 Mission<br>College Blvd.       | Santa<br>Clara    | CA           | 95054               | Hanh Tran<br>Tuan Le                               | (408) 753-1982              |
| Co-B   | Jazen Tea<br>Cupertino         | 20674<br>Homestead<br>Rd.           | Cupertino         | CA           | 95014               | Hanh Tran  | (408) 753-1982              |
| Co-B   | Jazen Tea<br>San<br>Ramon      | 3202 Crow<br>Canyon Place           | San<br>Ramon      | CA           | 94584               | Hanh Tran<br>Silicon Valley<br>Restaurant<br>Group | (408) 228-2583              |
| Co-B   | Jazen Tea<br>Hobart            | 7800 E Ridge<br>Rd                  | Hobart            | IN           | 46342               | David Tran   | (219) 484-0673              |
| Co-B   | Jazen Tea<br>Lafayette         | 4510<br>Ambassador<br>Caffery Pkwy  | Lafayette         | LA           | 70508               | Anh Tran   | (337) 308-4227              |
| Co-B   | Jazen Tea<br>Fort Bliss        | 1617<br>Pleasanton Rd,<br>Ste B-133 | Fort Bliss        | TX           | 89906               | Hoang Le   | (915) 216-1728              |
| Co-B   | Jazen Tea<br>Lacey             | 1120 Galaxy<br>Dr. NE Suite A       | Lacey             | WA           | 98516               | Alex Cho   | (360) 529-8082              |
| Co-B   | Jazen Tea<br>Lacey             | 9312 South<br>Tacoma Way            | Lakewood          | WA           | 98516               | Alexander<br>Cho<br>Yum &<br>Yummer LLC            | (253) 212-9038              |
| Co-B   | Jazen Tea<br>Seattle           | 618 S Weller<br>St.                 | Seattle           | WA           | 98104               | Tram Bui   | (206) 624-7189              |
| Co-B   | Jazen Tea<br>Redmond           | 15169 NE 24 <sup>th</sup><br>St     | Redmond           | WA           | 98052               | Tram Bui   | (425) 641-7898              |
| Co-B   | Jazen Tea<br>Sedro-<br>Woolley | 802 SR 20 Ste<br>B                  | Sedro-<br>Woolley | WA           | 98284               | Jinah Hwang  | (360) 302-8664              |

**FRANCHISEES WHO HAVE SIGNED A FRANCHISE AGREEMENT BUT WERE NOT OPEN  
AS OF DECEMBER 31, 2022**

| <b>Stand-Alone Jazen Tea® Shop (JT) or Co-Branded Phở Hòa® Restaurant (Co-B)</b> | <b>Address</b>                                 | <b>Franchisee Name</b>       | <b>Telephone Number</b> |
|--|--|------------------------------|-------------------------|
| Co-B   | 27483 Newport Rd, Suite A<br>Menifee, CA 92584 | Hien Nguyen                  | (714) 902-4670          |
| Co-B   | Olympia, WA                                    | Alex Cho<br>Yum & Yummer LLC | (360) 529-8082          |

**LIST OF STAND-ALONE JAZEN TEA® SHOP FRANCHISEES AND CO-BRANDED PHỞ HÒA® RESTAURANT FRANCHISEES WHO HAVE LEFT THE SYSTEM OR  
NOT COMMUNICATED WITH US AS OF FISCAL YEAR END DECEMBER 31, 2022**

Below are the names and last known addresses and telephone numbers of every Stand-Alone Jazen Tea® Shop Franchisee and Co-Branded Phở Hòa® Restaurant Franchisee who, in our most recent fiscal year: (1) had a unit terminated by us; (2) had a unit not renewed by us; (3) otherwise voluntary or involuntarily ceased to do business under the Stand-Alone Jazen Tea® Shop Franchise Agreement or Co-Branding Addendum; or (4) has not communicated with us within 10 weeks of the date we prepared and filed this Jazen Tea® Franchise Disclosure exhibit.

| <b>Stand-Alone Jazen Tea® Shop (JT) or Co-Branded Phở Hòa® Restaurant (Co-B)</b> | <b>Franchise name</b> | <b>Address</b>              | <b>City</b> | <b>State</b> | <b>Zip Code</b> | <b>Name</b>   | <b>Telephone Number</b> |
|--|-----------------------|-----------------------------|-------------|--------------|-----------------|---------------|-------------------------|
| Co-B   | --                    | <i>(never opened)</i>       | Atlanta     | GA           | --              | Rong Dan Chen | Unknown                 |
| Co-B   | Jazen Tea Crown Point | 1107 N Main Street          | Crown Point | IN           | 46307           | David Tran    | (219) 484-0673          |
| Co-B   | Jazen Tea Henderson   | 10624 S Eastern Ave, #Q     | Henderson   | NV           | 89052           | Chih Hu       | (702) 886-9679          |
| Co-B   | Jazen Tea Houston     | 13280 Northwest Fwy Suite A | Houston     | TX           | 77040           | Phin Dinh     | (936) 270-9939          |

**EXHIBIT M-2**

**LIST OF AFFILIATE-OWNED STAND-ALONE JAZEN TEA® SHOPS AND  
CO-BRANDED PHỞ HÒA® RESTAURANTS AS OF DECEMBER 31, 2022**

| <b>Stand-Alone Jazen Tea® Shop (JT) or<br/>Co-Branded Phở Hòa® Restaurant<br/>(Co-B)</b> | <b>Affiliate-<br/>Owned</b> | <b>Address</b>       | <b>City</b> | <b>State</b> | <b>Zip<br/>Code</b> | <b>Telephone<br/>Number</b> |
|--|-----------------------------|----------------------|-------------|--------------|---------------------|-----------------------------|
| Co-B   | Jazen Tea                   | 1089 S. De Anza Blvd | Cupertino   | CA           | 95129               | 408-366-0544                |
| Co-B   | Jazen Tea                   | 1834 Tully Road      | San Jose    | CA           | 95122               | 408-238-1481                |
| Co-B   | Jazen Tea                   | 3484 El Camino Real  | Santa Clara | CA           | 95051               | 408-249-8598                |

**LIST OF CLOSED AFFILIATE-OWNED, STAND-ALONE JAZEN TEA® SHOPS  
AND CO-BRANDED PHỞ HÒA® RESTAURANTS AS OF DECEMBER 31, 2022**

NONE

**EXHIBIT N**  
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**CONFIDENTIAL OPERATIONS AND RECIPE MANUALS**

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### Appetizers Cold

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Summer Roll (Prep)

### Sauces, Hot

- Word - AA Prep Recipe Master
- Word – AAA Recipe Category Listing
- Peanut Sauce (Prep)

### Entrees, Fish and Seafood

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Cut Fish (Prep)
- Cut Squid (Prep)
- Cooked 31-40 Shrimp (Prep)

### Production, Basic

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Rice Noodles (Prep)
- Wash and Cut Cilantro (Prep)
- Cooked Vermicelli Noodles (Prep)
- Lime Slices (Prep)
- Fried Peanuts (Prep)
- Lime Wedges (Prep)
- Thai Basil (Prep)

### Soups, Hot

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Chicken Soup Broth (Prep)
- Hot & Sour Soup Broth (Prep)
- Beef Soup Broth (Prep)

### Beverages (Word Files)

## RECIPES

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Tea Concentrate (Prep)
- Vietnamese Coffee Pre-Sets

### Entrees, Beef

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Cooked Tripe (Prep)
- Cooked-Stacked Beef Tendon (Prep)
- Cut-Portion Tripe (Prep)

### Entrees, Pork

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Grilled Marinated Pork Slices (Prep)
- Marinated Slice Pork (Prep)

### Sauces, Cold

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Fish Sauce (Prep)
- Sweet Red Chili Sauce (Prep)

### Standard Operating Procedures

- Measurement Conversions
- Preparation of Leaf Lettuce and Other Greens

### Vegetables

- AA Prep Recipe Master
- AAA Recipe Category Listing
- Pickled Carrots – Daikon (Prep)
- Sliced and Julienne Cucumbers (Prep)
- Sliced Green Onions (Prep)
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- Pan-Fried Green Onions (Prep)
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- Soup Garnish Pre-Sets (Prep)

### Service Recipes

#### Appetizers

AA Prep Recipe Master  
AAA Appetizer Plate Recipe Category Listing  
#28 Fried Roll (1) Service  
#28 Fried Roll (2) Service  
#30 Summer Roll (1) Service  
#30 Summer Roll (2) Service

#### Beverages

AA Plate Recipe Master  
Plate Recipe Category Listing  
#70 Hot Tea – Large (Service)  
#70 Hot Tea – Small (Service)  
#72 Iced Coffee (Service)  
#73 Milk Coffee (Service)  
#74 Ice Milk Coffee (Service)

#### Iced Drinks

AA Plate Recipe Master  
Plate Recipe Category Listing  
#81 Iced Fresh Lemon (Service)  
#87 Coconut Juice (Service)  
#91 Softdrinks  
Iced Fresh Lime (Service)  
#84 Fresh Lemon Soda (Service)  
#88 Soy Bean Drink (Service)  
#89 Iced Tea (Service)  
Fresh Lime Soda (Service)

#### Pho

#00 L Large Pho Without Meat  
#00 S Regular Pho Without Meat  
AA Plate Recipe Master



## RECIPES

### **Special Items**

AA Plate Recipe Master  
Plate Recipe Category Listing  
#46 Hot and Sour Seafood Pho (Service)

### **Vermicelli Bowls**

AA Plate Recipe Master  
Plate Recipe Category Listing  
#25 Grilled Prawn and Pork Vermicelli Bowl (Service)  
#32 Grilled Pork and Fried Roll Vermicelli Bowl (Service)

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## **EXHIBIT O**

### **STAND-ALONE JAZEN TEA® SHOP FRANCHISE**

#### **RENEWAL AMENDMENT TO JAZEN TEA® FRANCHISE AGREEMENT**

- **This Renewal Amendment to Franchise Agreement may only be signed by an existing Jazen Tea® franchisee in connection with exercising the Renewal Option in the franchisee's original Jazen Tea® Franchise Agreement.**
- **This Renewal Amendment to Franchise Agreement must be signed by the franchisee at the same time that the franchisee signs the then-current South Bay Soup Corporation Franchise Agreement in connection with exercising the Renewal Option.**

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## **STAND-ALONE JAZEN TEA® SHOP FRANCHISE**

### **RENEWAL AMENDMENT TO JAZEN TEA® FRANCHISE AGREEMENT**

This Renewal Amendment to Jazen Tea® Franchise Agreement ("**Renewal Amendment**") is made and entered into on \_\_\_\_\_, \_\_\_\_\_ (the "**Effective Date**") by SOUTH BAY SOUP CORPORATION, a California corporation ("**Company**"), and \_\_\_\_\_ ("**Franchisee**") with reference to the following facts:

#### **RECITALS**

A. Franchisee and Company are parties to that certain Jazen Tea® Franchise Agreement ("**Original Franchise Agreement**") pursuant to which Company has awarded Franchisee a license to use the Jazen Tea® System and the Jazen Tea® Marks to operate a Stand-Alone Jazen Tea® Shop at the Authorized Location for the Term defined in the Original Franchise Agreement.

B. The Original Franchise Agreement grants Franchisee two concurrent Renewal Options to renew the license, each for a specific period of time defined in the Original Franchise Agreement as the Renewal Term subject to Franchisee satisfying specific conditions in the Original Franchise Agreement. Among the conditions to exercising the Renewal Option is the requirement that Franchisee execute Company's current form of Franchise Agreement ("**Current Franchise Agreement**"), as amended in order to reflect the specific modifications identified in the Original Franchise Agreement.

C. Franchisee desires to renew the license awarded by the Original Franchise Agreement for a Renewal Term and is prepared to execute the Current Franchise Agreement concurrently with this Renewal Amendment. This Renewal Amendment memorializes the parties' agreement as to the modifications to the Current Franchise Agreement that shall apply during the Renewal Term consistent with the requirements of the Original Franchise Agreement.

D. Company acknowledges that Franchisee has satisfied the conditions for exercising the Renewal Option in the Original Franchise Agreement and is willing to execute the Current Franchise Agreement concurrently with this Renewal Amendment for the Renewal Term specified in the Original Franchise Agreement.

NOW, THEREFORE, the parties agree as follows:

#### **I. DEFINITIONS; RECITALS; FULL FORCE AND EFFECT.**

A. Incorporation of Definitions in Original Franchise Agreement. This Renewal Amendment incorporates by reference the definitions in the Original Franchise Agreement given to the following terms: Authorized Location; Renewal Notice; Renewal Option; Renewal Term; Term; and Territory.

B. Other Definitions. All other capitalized terms appearing in this Renewal Amendment shall either have the definition assigned to the term in this Renewal Amendment or in the Current Franchise Agreement.

C. Recitals. The parties hereby incorporate the provisions in the Recitals as part of their agreement.

D. Full Force and Effect. Except as expressly amended by this Amendment, all provisions in the Current Franchise Agreement shall apply to the parties and govern their relationship throughout the Renewal Term for all purposes, and Franchisee shall perform all of the duties in the Current Franchise Agreement including, without limitation, the requirements that (i) a duly executed Addendum to Lease be in effect throughout the Renewal Term; and (ii) each person required to sign Company's form of personal guaranty or spousal consent attached to the Current Franchise Agreement execute Company's current forms.

E. Conflicts. In the event of any conflict between the Current Franchise Agreement and this Renewal Amendment, this Renewal Amendment shall control.

F. Acknowledgements. In executing this Renewal Amendment, Franchisee affirms the acknowledgements stated in the Current Franchise Agreement.

## **II. GRANT OF LICENSE FOR RENEWAL TERM; AMENDMENTS TO CURRENT FRANCHISE AGREEMENT**

A. License. In consideration for Franchisee's payment of the renewal fee identified in the Original Franchise Agreement, Company hereby grants to Franchisee, and Franchisee accepts, the right and license to use the Jazen Tea® System and the Jazen Tea® Marks to operate the Stand-Alone Jazen Tea® Shop at the Authorized Location for the Renewal Term on the terms and conditions in the Current Franchise Agreement as amended by this Renewal Amendment. Franchisee may not relocate the Stand-Alone Jazen Tea® Shop except as permitted by the Current Franchise Agreement.

B. Term; Renewal Options. The Term of the Current Franchise Agreement is the Renewal Term and the provisions of the Current Franchise Agreement awarding any renewal options to Franchisee shall not apply to the parties and are fully superseded by the provisions in this Renewal Amendment. The parties acknowledge that the Original Franchise Agreement awarded Franchisee two concurrent Renewal Options, and they agree as follows:

1. If the parties are executing this Renewal Amendment in connection with Franchisee's exercise of the first Renewal Option, then Franchisee shall have a second Renewal Option as provided in the Original Franchise Agreement which Franchisee may only exercise during the time period specified in the Original Franchise Agreement subject to these conditions: (i) Company must be granting new franchises in the United States at the time when Franchisee is permitted to exercise the second Renewal Option; and (ii) Franchisee must satisfy all of the conditions in the Original Franchise Agreement for exercising the second Renewal Option.

2. If the parties are executing this Renewal Amendment in connection with Franchisee's exercise of the second Renewal Option in the Original Franchise Agreement, then the license shall expire at the end of the Renewal Term and Franchisee shall have no further right to renew the license awarded by the Original Franchise Agreement. Franchisee may apply to Company to purchase a new license to use the Jazen Tea® System and the Jazen Tea® Marks to operate a Stand-Alone Jazen Tea® Shop at the Authorized Location or at a different approved location on the terms and conditions in Company's then-current Franchise Agreement, however, the decision to award Franchisee a new license shall be left to Company's discretion.

C. Fees. Because Franchisee is entering into this Renewal Amendment in connection with exercising a Renewal Option, upon execution of the Current Franchise

Agreement, Franchisee is not required to pay the initial franchise fee in the Current Franchise Agreement, but shall instead pay the renewal fee specified in the Original Franchise Agreement. Franchisee is obligated to pay all other fees specified in the Current Franchise Agreement.

D. Training. Because Franchisee is executing the Current Franchise Agreement in connection with exercising a Renewal Option, Franchisee is not required to complete, and is not offered the opportunity to participate in, the initial training program that Company offers to new franchisees. However, as a condition of this Renewal Amendment, Franchisee must satisfy Company's then-current training requirements, if any, for renewing franchisees.

E. Territory. During the Renewal Term, Franchisee's Territory shall be the same geographic area identified in the Original Franchise Agreement, but it shall be subject, however, to Company's reserved rights as set forth in the Current Franchise Agreement.

### III. **ENTIRE AGREEMENT**

A. Amendment. No amendment, change, modification or variance to or from the terms and conditions in this Renewal Amendment shall be binding unless set forth in a writing that is duly executed by Company and Franchisee.

B. Complete Agreement. This Renewal Amendment together with the Current Franchise Agreement and any exhibits, and any agreements which this Renewal Amendment expressly incorporates by reference sets forth the entire agreement between the parties pertaining to the license. Nothing in this Renewal Amendment is intended to disclaim the representations which Company has made in Company's franchise disclosure document delivered to Franchisee before the Effective Date of this Renewal Amendment.

IN WITNESS WHEREOF, the parties have executed this Renewal Amendment on the Effective Date.

SOUTH BAY SOUP CORPORATION

FRANCHISEE

By: \_\_\_\_\_

\_\_\_\_\_  
[Signature]

Its: \_\_\_\_\_

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[NAME OF BUSINESS ENTITY]

By: \_\_\_\_\_

Its: \_\_\_\_\_



### STATE EFFECTIVE DATES:

The following states have franchise laws that require that this Disclosure Document be registered or filed with the states, 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 Disclosure Document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

| State      | Effective Date |
|------------|----------------|
| California |                |
| Illinois   |                |
| Indiana    |                |
| Maryland   |                |
| Minnesota  |                |
| Virginia   |                |
| Washington |                |

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 P

### RECEIPT - JAZEN TEA® FRANCHISE DISCLOSURE DOCUMENT

[Your Copy]

This Jazen Tea® Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a Stand-Alone Jazen Tea® Shop Franchise or Co-Branded Franchise, we must provide this Jazen Tea® Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

Iowa requires that we give you this disclosure document at the earlier of (i) the first personal meeting and (ii) 14 calendar days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship.

New York requires that we give you this disclosure document at the earlier of (i) the first personal meeting and (ii) 10 business days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this Disclosure Document on time or if this Disclosure Document contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in **Exhibit A**.

The franchisor is South Bay Soup Corporation, located at 1420 Fulton Avenue, Building B, Sacramento, CA 95825. Its telephone number is (916) 779-8808.

Issuance Date: March 30, 2023.

The franchise sellers offering the franchise are Quoc Phan and Sinich Kem, South Bay Soup Corporation, 1420 Fulton Avenue, Building B, Sacramento, CA 95825 (916) 779-8808

We authorize the respective state agencies identified on **Exhibit B** to receive service of process for us in the particular state.

I have received a Disclosure Document dated March 30, 2023 that included the following Exhibits:

- EXHIBIT A – List of Federal and State Franchise Administrators
- EXHIBIT B – Agents for Service of Process
- EXHIBIT C – Franchise Agreement
- Schedule A – Authorized Location and Territory

- Schedule B – Personal Guaranty
- Schedule C – Addendum to Lease
- Schedule D – Franchisee’s Covered Persons as of the Effective Date
- Schedule E – Spousal Consent
- Schedule F – Collateral Assignment of Telephone Numbers, Addresses, Listing and Assumed or Fictitious Business Name
- Schedule G – SBA Addendum
- EXHIBIT D – Co-Branding Addendum
- EXHIBIT E – Franchise Application
- EXHIBIT F – [Intentionally Omitted]
- EXHIBIT G – Addendum to Lease
- EXHIBIT H – General Release
  - Schedule A – Dispute Resolution
- EXHIBIT I – Personal Guaranty
  - Schedule A – Ownership Interest
  - Schedule B – Dispute Resolution
- EXHIBIT J – Confidentiality, Non-Disclosure and Non-Competition Agreement
  - Schedule A – Dispute Resolution
- EXHIBIT K – State-Required Addenda
- EXHIBIT L – Financial Statements
- EXHIBIT M – Operating Stand-Alone Jazen Tea® Shops and Co-Branded Phở Hòa® Restaurants
- EXHIBIT N – Table of Contents – Jazen Tea® Confidential Operations and Recipe Manuals
- EXHIBIT O – Renewal Amendment
- EXHIBIT P – Receipts (2 copies)

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

(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

## RECEIPT - JAZEN TEA® FRANCHISE DISCLOSURE DOCUMENT

[Our Copy]

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 Restaurants  
 EXHIBIT N – Table of Contents – Jazen Tea® Confidential Operations and Recipe Manuals  
 EXHIBIT O – Renewal Amendment  
 EXHIBIT P – Receipts (2 copies)

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

(Do not leave blank)

\_\_\_\_\_  
 Signature of Prospective Franchisee

\_\_\_\_\_  
 Print Name

You may return the signed receipt either by signing, dating and mailing it to us at 1420 Fulton Avenue, Building B, Sacramento, CA 95825 or by sending a pdf of the signed copy as an attachment to an e-mail directed to [contact@jazentea.com](mailto:contact@jazentea.com).