

# PRESOTEA



## Franchise Disclosure Document

**MSY MANAGEMENT, INC.**  
**A California Corporation**  
**170 E. Yorba Linda Rd., #1035**  
**Placentia, CA 92870**  
**PH 714-623-7934**  
**www.presoteaca.com**  
**Email: presoteacorp@gmail.com**

As a Presotea franchisee, you will develop, own and operate a “made to order” fresh brewed tea shop called Presotea (hereafter (“shop” or “store”), operating under the Marks and using the System as described in this document, and the Operations Manual, selling teas and related items to the general public.

The total investment necessary to begin operation of the Presotea franchise ranges from \$212,750 to \$499,000. This includes \$50,000 that must be paid to us, the franchisor.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you can 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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact **Shawn Yi, 170 E Yorba Linda Rd. #1035, Placentia, CA 92870; PH 714-623-7934; email presoteacorp@gmail.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 accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “[A Consumer’s Guide to Buying a Franchise](#),” which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 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: July 19, 2024

## 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<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 Attachment C.
<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 Attachment A 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 Presotea business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Presotea franchisee?</b>	Item 20 or Attachment C 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 Attachment E.

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

## 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 more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

2. **Limited Operating History.** The Franchisor is at an early stage development and has limited operating history. This franchise is likely to be riskier than a franchise in a system with a longer operating history.

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.

### State Effective Dates

The following states have franchise laws that require that the Franchise 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 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	

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.

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

To simplify this Franchise Disclosure Document, "We" means MSY Management, Inc., the franchisor, or "our" or "us" when appropriate. "You" means the person who buys the franchise. If you are a legal entity, "you" includes all owners of any equity interest in the entity.

We were formed in California, on April 3, 2024; In April 2024, we purchased the existing Southern California Master Franchise business for the Presotea brand and concept, from the prior California Master Franchisee, Kat & Ell Corp. We and our owners are not related to Kat & Ell Corp. As part of the sale we were assigned 13 franchise agreements for 13 Unit Presotea Stores open and operating in Southern California. (see attachment C).

Our principal business address is 170 E. Yorba Linda Rd., #1035, Placentia, CA 92870. We are licensed by Presotea (USA) Co., Ltd. (our Franchisor) to sell franchises in Southern California since April 2024.

We are also licensed by Presotea (USA) Co., Ltd. (our Franchisor) to sell franchises in the state of Texas as of April 2024.

We do not have any affiliates.

We conduct business under the name Presotea. We do not offer franchises in any other lines of business.

We will begin offering Presotea franchises in Southern California, and in Texas in 2024. As of the date of this disclosure we have not sold any new franchises in California or Texas, or anywhere else. All Presotea Shops in the United States are listed in Attachment C. We and our owners, do not own any Presotea Shops.

Our agents for service of process are disclosed in Attachment E.

**The Concept**

Under the franchise we offer, you will develop, own and operate a single tea shop called Presotea, which offers fresh brewed made to order tea beverages using an espresso type machine with seasonal fresh fruits and ingredients, (hereafter referred to as "Presotea Shop") herein and in your Franchise Agreement (sometimes referred to as Franchise Agreement); We are referred to in the Franchise Agreement as your Franchisor. Your Presotea Franchise may be sometimes referred to as "your Business", or "your Franchise". You may not open more than one Presotea shop except only upon separate application and approval by us. We are not required to approve you and you must meet the current qualification standards for a second (or additional) Presotea Shop, and if qualified, sign the current franchise agreement. You must order equipment, inventory, computer systems, software, branded items, and food ingredients through approved vendors. You may not sell any items for your Presotea Shop through any internet means, or an online ordering except as provided in the System.

The Presotea brand and concept was originally created in Taiwan in 2006 by Presotea Co., Ltd, which granted the License to franchise in the United States to Presotea (USA) Co., Ltd, our Franchisor, referred to in this document as *Presotea USA*. The Presotea brand has been a deep rooted tea drink market based in Taiwan, with more than 400 franchise stores located in 9 countries, including Taiwan, Indonesia, Australia, Canada, Malaysia, Singapore, Jordan, Dubai and United Kingdom.

You will operate in accordance with the guidelines, standards, specifications, menus, recipes, formulations, trade names, trademarks, logos, color schemes, and décor, and branded items, we make available to you or otherwise advise you through initial training, the operations manual, marketing materials and related items, along with periodic updates, and industry information, all hereafter referred to as our proprietary “System.” You will be authorized to develop and operate your Presotea Shop only at an approved location within your protected territory.

Subject to our prior approval, you may be permitted to provide event catering, food truck or kiosk services on terms we provide. We are not required to give this approval in our sole discretion.

#### Market

The market for your products is the general public. Your offerings at the Presotea Shop do not depend on any particular season or time of year.

#### Competition

The tea beverage service industry is highly competitive. You will compete with other national, regional and local businesses that offer tea beverages and made to order juices and beverages in general as a main part of their business, as well as potentially other Presotea Shops franchised by us. Your Presotea Shop and most competitors will generally be located near residential and light commercial areas. Your Presotea Shop may operate in close proximity to competitors who may offer tea drinks and related products similar to those you offer.

#### Laws Affecting Your Presotea Shop

You will be subject to all applicable state and local licensing laws, codes and regulations, as they relate to food safety and the operation of your Presotea Shop, and specifically apply to businesses serving food and beverages. You and all employees are required to have a food handler’s certification, even if you are not working in the shop. In addition, you also may have to obtain licenses and to comply with health laws and regulations that apply to food establishments, and laws on storage, preparation, packaging, labeling on your menus, menu boards, and related materials.

Your Presotea Shop will also be subject to applicable laws and regulations which apply to businesses in general including labor laws, business license requirements, laws on construction of business premises, zoning rules, requirements for parking and access, the Americans with Disabilities Act, export control laws and laws pertaining to technology.

It will be your responsibility to ascertain your local and state requirements. It is your responsibility and cost to assure all your employees have the food handler’s certification.

## **ITEM 2.** **BUSINESS EXPERIENCE**

#### **President, Chief Financial Officer, Trainer, Director: Melanie Yi**

Melanie is our President, Chief Financial Officer, Trainer and Director since our inception in April 2024. From 2019 to 2024 Melanie was a homemaker; Prior to that Melanie worked as a business Trainer at Nutrilite in Buena Park, California from 2010 to 2019.

#### **Sales and Operations Director Trainer: Chulan “Shawn” Yi**

Shawn is our Sales and Operations Director and Trainer since our inception in April 2024. Shawn also works as a Business Consultant for Hyundai in Fountain Valley, California since June 2024; Previously



Shawn was the Sales Director at Maxero in Dallas, Texas from November 2023 to March 2024; Prior to that Shawn was the Channel Sales Manager for Bear Robotics from November 2022 to October 2023. Prior to that Shawn was a Key Account Manager for Anheuser Buch in Los Angeles California from April 2019 to January 2022.

**Sales Representative and Trainer: Nate Yi**

Nate was appointed our Sales Representative and Trainer in July 2024; He is also an Account Manager for TRANE, in Brea, California since June 2023. Previously Nate worked as a Lab Assistant for Enthalpy Analytical in Orange, California from June 2022 to November 2022. Prior to that, Nate worked for Santiago Canyon College, in Santiago Canyon, California as the Organic Chemistry Instructor from August 2020 to June 2021, and prior to that, Nate was the store Manager at Din Tea Boba in Yorba Linda, California, from June 2019 to January 2020.

**Sales Representative and Trainer: Ethan Yi**

Ethan was appointed our Sales Representative and Trainer in April 2024. Previously, Ethan worked for Sprouts Super Market in Yorba Linda from August 2022 to June 2024. Prior to that, Ethan was in school.

**Consultant: Anh The Vu (Anthony)**

Anthony is the owner of Kat & Ell Corp., the prior Presotea California Master Franchise Business since 2017, and will serve as a consultant as needed for us.

**ITEM 3.**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4.**  
**BANKRUPTCY**

No person previously identified in Items 1 or 2 of this Item has been involved as a debtor in proceedings under the US Bankruptcy Code required to be disclosed in this Item.

**ITEM 5.**  
**INITIAL FEE**

You are required to pay us an Initial Fee of Fifty Thousand Dollars (\$50,000.00) when you sign the franchise agreement. The initial franchise fee is non-refundable and considered earned when paid.

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**ITEM 6.**  
**OTHER FEES**

<b>Type of fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	5% of Gross Revenues See Note A.	Payable monthly by Electronic Funds Transfer. Due 10th day of the month for sales, which royalties are due from the prior month.	See definition below for Gross Revenues. You will pay royalties by electronic funds transfer and must sign an authorization allowing direct transfers from your bank.
Regional Advertising Fee	2% of Gross Revenues. See Note B.	Payable monthly by Electronic Funds Due 10th day of the month for sales, which royalties are due from the prior month	May be increased upon 60 days notice.
Local Advertising and Marketing	5% Gross Revenues	Monthly or as incurred	You must advertise locally and provide receipts to us upon request; we must approve your ads.
Additional Training or Services	We charge \$495 per day fee for specific extra training you need on site, beyond the initial training, at your request or if we deem necessary, plus travel/lodging costs for the trainer.	In advance of the additional training program(s)	If you obtain a new or replacement manager. You are responsible for all travel related expenses of the trainer.
Ongoing inventory and menu items	Varies	According to purchase terms	You will buy the majority of your ongoing menu items from us or a vendor we designate.
Transfer Fee	\$20,000	Before completing transfer	Payable only if you sell your franchise business to a new owner, or transfer a majority interest in ownership. Fee is not due if you transfer to a corporation or other entity with the same majority ownership and control.
Relocation Fee	\$5,000	Upon submission to us of a proposed relocation site	Payable to us for our time in reviewing proposed new site and approval process.
Software licensing fee	We do not have any proprietary software at this time.		Any future proprietary software fees will be payable monthly.

Type of fee	Amount	Due Date	Remarks
POS/Merchant Services/Mobile App	\$274/month for combined services, subject to change by vendor.	As required by Vendor	Payable directly to the vendor
Audit Fee	Cost of the audit plus the amount of the underpayment, or other costs to us for identifying deficiencies.	Immediately upon billing	Costs of audit payable
Renewal	\$25,000	Before consummating Renewal	You will be required to sign a new franchise agreement on then current form, which may contain different terms.
Late Payment and Interest	Late charge equal to 2% of payment due, together with interest at the highest legal rate in your state.	On receipt of invoice	Interest is payable on entire overdue amount beginning with the date payment is due until payment, late charge and interest is paid in full. (The legal interest rate in California as of the date of this disclosure, is 10% per annum.)
Indemnification	Losses, costs, and fees, including attorneys' fees we incur as a result of wrongful or negligent actions or inactions from the operations of your business.	As incurred	

\*Unless otherwise indicated, these fees are uniformly imposed by us, and are non-refundable.

#### Notes Regarding Other Fees:

##### Note A. Gross Revenues

Gross Revenues is the total selling price of all products and services and all income of every other kind related to the Presotea Shop, (including any *authorized* delivery activities, and includes all sales or orders of food products and/or food preparation services, provided from or related to your Presotea Shop, whether for cash, credit, barter or otherwise, including proceeds from the sale of gift cards gift certificates, coupons or similar promotions and regardless of collection in the case of credit extended. Gross revenues also includes applicable insurance proceeds for reimbursement of loss of business. Gross Revenues exclude: (i) sales tax, goods and services tax, value added tax or any other such equivalent taxes actually paid to the government; and (ii) any customer refunds or allowances or credits to customers, which shall only be deducted from gross revenues in the month in which such refunds, allowed or credits are actually paid or allowed to the customer, and documented on your financial statements, or sales tax returns.

##### Note B. Regional Advertising Fees

Regional Advertising Fees are in addition to your local advertising obligation. The Regional Advertising Fees will cover advertising, marketing, promotions in Southern California as well as social media, website maintenance and administration of the Regional Advertising Fund; See Item 11 for more details

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**ITEM 7.**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Category</b>	<b>Low Amount</b>	<b>High Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Paid</b>
Initial Fee	\$50,000	\$50,000	Lump Sum	Upon signing of Franchise Agreement	US
Training Fee (Note A)	Included in initial fee	0	Lump Sum	Prior to training	N/A
Rent & Security Deposit for the Premises (3 Months) (Note B)	\$13,000	\$24,000	As Incurred	As Incurred	Landlord
Leasehold Improvements (Note C)	\$55,000	\$210,000	As Incurred	As Incurred	Contractors
Kitchen Equipment (Note D)	\$28,000	\$80,000	Lump Sum	Before Opening	Vendors
POS System (Note E)	\$3,000	\$5,000	Lump Sum	As incurred	Vendor
Initial Branded Items Package (Note F)	\$3,400	\$8,000	Lump Sum	Before Opening	Vendor
Gas & Meal Expenses While Attending Initial Training.	\$600	\$3,000	As Incurred	As Incurred	Vendors
Signage (Note G)	\$5,750	\$11,500	As incurred	As incurred	Vendors
Grand Opening (Note H)	\$4,600	\$5,750	As Incurred	As incurred	Vendors
Insurance (Annual) (Note I)	\$1,200	\$5,750	As Incurred	As Incurred	Vendor
Professional Fees (Note J)	\$1,700	\$3,500	As Incurred	As Incurred	Professionals
Opening Inventory of Supplies and Food (Note K)	\$22,500	\$57,500	As Incurred	Prior to Opening	Vendors
Additional Funds (3 months) (Note L)	\$24,000	\$35,000	As Incurred	As Incurred	Vendors
<b>TOTALS</b>	<b>\$212,750</b>	<b>\$499,000</b>			

\*The fees in this chart that are payable to us are non-refundable. We do not offer financing for any of these fees and costs.

## Notes Regarding Initial Investment:

### Note A: Training Fee

We will train at for 3 people included in the initial fee, if trained together at the same time, at our training facility in Southern, California, or substitute location in Southern California. You or a manager, who is responsible for full time business operations and management, must be trained in our initial training; You may have additional employees or new managers, (after the first 3) trained at your expense at current training fee of \$495 per day. In all cases, you are solely responsible for all travel related expenses for trainers. You and your manager are solely responsible for training all other employees.

### Note B: Real Estate Rental.

You must lease a location for the Presotea Shop that meets our general guidelines. The space should be between 400 and 1500 square feet in a strip mall or small stand-alone shop in a light commercial area, which allows business hours approximately Monday-Sunday 10am-11:30pm. Certain areas will have varying hours depending on Landlord or city requirements. The business hours can be adjusted under actual conditions and shall comply with relevant laws and regulations. Leases will vary in rental amounts, lease terms, amount of space required, tenant improvements, required security deposit and advance rental required. You may be liable for the entire term of the lease(s) whether or not you succeed in the Presotea Shop. You should consult your lease documents and your attorney.

### Note C: Leasehold Improvements

We will provide standard guidelines for the layout of the tenant improvements. The cost could be higher if you or your landlord request changes from the standard design and materials. The ranges given cover a location with a square feet range given above in Note B.

Some landlords finance leasehold improvements by amortizing them over the lease term and charging a higher rental amount to cover the cost. You should attempt to determine your costs and financing options before deciding on a location.

If you are taking over or taking over in an existing Presotea Shop, your costs will be less, however we may also require that you remodel, redecorate or make other changes to the location to comply with our current specifications, at your cost.

You may not open the Presotea Shop for business until: (1) we approve the location improvements as developed according to our specifications and standards; (2) pre-opening training been completed to our satisfaction; (3) the Initial Franchise Fee and all other amounts then due to us have been paid (subject to state limitations); and (4) we have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums. You must open the Presotea Shop for business within 20 days after we notify you that it is ready to open unless there are circumstances beyond your control.

### Note D: Kitchen Equipment

You must obtain all the minimum Kitchen Equipment, listed in Exhibit C to the Franchise Agreement, through an approved supplier. Larger spaces may require additional equipment. We are NOT a required vendor any of the equipment. If you lease the equipment, borrow money to purchase the equipment, your monthly fixed expenses will increase. Kitchen Equipment Items coming from Taiwan will have an approximate delivery time 60 days.

#### Note E: POS System

You must purchase the POS System, which includes: 1 label printer, 1 on-counter POS TOAST Printer with cash drawer, 1 TOAST TO GO pay at table, 1 router, 1 wireless access point, 1 kitchen display. The System also includes the Merchant Services and Mobile App. We may have access to this system.

#### Note F: Branded Items

You must purchase an initial Branded Items Package from an approved vendor such as branded apparel (aprons, t-shirts, hats), as well as cups, interior menu boards, or labels, and menus, and any other accessories. The range given depends on the size of your location and how many employees you will have. We are NOT a required vendor for the Branded Items. Branded Items coming from Taiwan will have an approximate delivery time 60 days.

#### Note G: Signage

Signage costs and number of outside signs needed will be dependent on the location, whether the location is a stand-alone building or in a strip center. The range given is an estimate the average cost of a single sign of average size, in accordance to our specifications.

#### Note H: Grand Opening.

You must hold a "grand opening" for your community, competitive situation and similar factors. We will assist you with various forms of marketing and promotion including social media. The cost of a grand opening is difficult to estimate with accuracy because of local market factors, including the types of marketing media available, the cost of marketing space or time and the local competitive situation. We estimate that, in most areas, you can accomplish an adequate grand opening for the range given.

#### Note I: Insurance.

We require you to purchase and maintain, at your expense, throughout the term of this Agreement commercial general liability insurance, including bodily injury, property damage, personal injury, advertising injury, non-owned automobile, loss of business income, and broad form contractual coverage for liability. See Item 8 for details.

#### Note J: Legal and Accounting Professional Fees.

You may need an attorney to assist and advise you in setting up your business organization and reviewing contract documents. This estimate does not include any ongoing needs for legal services in connection with relationships with customers or vendors. Depending upon your experience and staffing, you will need accounting services, which will be extra. You should consult your accountant for an estimate of initial fees. This amount will vary based on what the Professional charges.

#### Note K: Opening Inventory of Supplies and Food.

You will need a minimum 3 months supply of inventory of food ingredients and items and kitchen supplies prior to Opening. The Opening Inventory and Supplies are listed in Exhibit D to the Franchise Agreement and we will work with you on the specific lists depending on the size of your location. Specific food and supply vendors are outlined in the Operations Manual.

We are NOT a required vendor for the supplies and inventory.

Note L: Additional Funds.

This range estimates a 3-month initial period for expenses and include payroll costs utilities, royalties, other services, and inventory replacement. Our estimates do not include owner compensation or return on investment. These figures are our good faith estimates, based on information from the existing store owners. You may need more additional funds.

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

You must purchase from an approved supplier designated by us, a substantial amount of the required purchases of equipment, furniture, fixtures, supplies, décor, branded items, computer systems, advertising materials, and inventory necessary to start or operate your Presotea Shop. The approved vendor lists will be indicated in the Confidential Operations Manual, and may change from time to time.

We are a NOT a required vendor for any of the Equipment, Inventory and Supplies, or Branded Items. We and our owners do not own an interest in any approved vendor.

We have derived 0 revenue from required purchases or leases by franchisees made in accordance with our specifications, since we have taken over the California Master Franchise Business in April 2024.

In the year ended December 31, 2023, our Franchisor, Presotea (USA), Co., Ltd., derived no income from purchases made by its Master Franchisees;

In the year ended December 31, 2023, **Presotea Taiwan** earned \$696,146 in revenue, or 4.1% of its total revenue, based on purchases by Master Franchisees.

We require you to purchase and maintain, at your expense, throughout the term of this Agreement commercial general liability insurance, including bodily injury, property damage, personal injury, advertising injury, non-owned automobile, loss of business income, and broad form contractual coverage for liability. Such insurance shall consist of combined single limit coverage of at least one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) annual aggregate. (Your landlord may require more).

You must purchase and maintain worker's compensation and employer's liability insurance.

You must provide us with one or more certificates of insurance evidencing such coverage and naming us as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverage under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least thirty (30) days prior written notice of such cancellation or modification has been given to us. Upon our request you must provide us with a copy of any insurance policy, including all endorsements. Every insurance policy must provide that coverage is primary/non-contributory.

The price of insurance varies widely; you should obtain a price quotation from your insurance agent or broker and not rely solely upon our estimate in planning to purchase the Franchise

We may approve other vendors if you request it in writing or if a vendor requests it and if the vendor demonstrates to our satisfaction that it is financially stable and can provide product(s) or service(s) that meet our specifications and that are consistent with our image. These specifications include quality and durability of the items, whether the items meet all specifications of current items,

the timeliness and efficiency of the vendor ordering process and efficient delivery timelines, the general availability of the items, the reputation and good will of the proposed new vendor, and other specifications which we may determine in our sole judgment based on the specific items to be obtained from the proposed new vendor. We charge our actual costs in evaluating a proposed vendor and testing the items. We will normally make our decision within 30-60 days. We reserve the right to disapprove any previously approved vendor whose performance falls below our standards. Specifications and standards are issued to franchisees and approved suppliers upon request. We may change such standards at any time in our sole discretion either in the Operations Manual or other electronic notification to you. Our criteria for supplier approval is available to franchisees upon request.

We may receive rebates, discounts and allowances from some vendors from whom you have made required purchases, from 15% to 30%. If we do, we will use such monies for our business operating expenses, and are not obligated to refund you any such amounts.

You are required to purchase the designated POS system and software, from the vendor as identified in Item 11.

We may negotiate purchase arrangements with suppliers for your benefit in the future. Except as described in this Item, we do not currently provide any material benefits to you based upon your use of designated or approved sources.

We do not have any purchasing or distribution cooperatives.

We estimate that your purchases of goods and services in accordance with specifications will represent approximately 70% to 80% of your total purchases in connection with establishing your Presotea Shop and approximately 50%-60% of your total ongoing purchases in connection with operating your Presotea Shop.

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**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 franchise disclosure document.

Obligation	Section in Agreement	Item in Franchise Disclosure Document
a. Site selection and acquisition/lease	1,6 Exhibit B	11
b. Pre-opening purchases/leases	6, 7, Exhibits C, D	7
c. Site development and other pre-opening requirements	1, 6, 7	5, 7, 17
d. Initial and ongoing training	4, 7	11
e. Opening	1, 6, 7	
f. Fees	2	5, 6, 7
g. Compliance with standards and policies/Operating Manual	1, 5, 6, 7	7, 8, 11
h. Trademarks and proprietary information	1, 2, 5	13
i. Restrictions on products/services	1, 6, 7	8, 16
j. Warranty and customer service requirements	4, 7	
k. Territorial development and sales quotas	1.03	12
l. Ongoing product/service purchases	7	6, 8, 16
m. Maintenance, appearance and remodeling requirements	7	7, 11
n. Insurance	8	7
o. Marketing	2, 7	11
p. Indemnification	8	17
q. Owner's participation	7	15
r. Records/reports	3	6
s. Inspections/audits	3	6
t. Transfer	12	17
u. Renewal	9	17
v. Post-termination obligations	16, 17	17
w. Non-competition covenants	16	17
x. Dispute resolution	19	17

**ITEM 10.**  
**FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

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

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

Pre-Opening Obligations.

Before you open your Presotea Shop, we will:

1. License you to use our Marks and System in connection with your Presotea Shop (Franchise Agreement - Article 1.04);
2. Designate your Territory (Franchise Agreement - Article 1.02);
3. Approve or disapprove your business Location (Franchise Agreement - Articles 1.02 & 6.01);
4. Provide you with list of required Kitchen Equipment requirements, (Franchise Agreement Article 6.04; Exhibit C of Franchise Agreement.
5. Provide you with a list of required initial opening product inventory, (Franchise Agreement Article 6.04; Exhibit D of Franchise Agreement);
6. Provide you with a list of the required opening Branded Items, (Franchise Agreement, Articles 1.04 and 6.05);
7. Provide you with Leasehold improvement guidelines and interior layout and decor (Franchise Agreement Article 6.02);
8. Provide you with current menu items and recipes, and suggested pricing guidelines, as part of the operations manual (Franchise Agreement, Article 1.05);
9. Loan you or provide electronic access to our Operations Manual, which will contain operations specifications, standards, procedures, processes, and requirements and trademark standards, which may be in a variety of formats from time to time, including paper, electronic, webinars, etc. The Operations Manual is confidential and remains our property. We will modify the Operations Manual, from time to time and you are required to comply with all changes. Attachment D to this Disclosure Document includes a copy of the Operations Manual's table of contents. The Operations Manual currently contains approximately 127 pages, plus ongoing addenda with recipes, which may change based on season or region. We have additional training manuals on machine operation, opening closing procedures and Tea knowledge you will receive in training. (Franchise Agreement - Article 1.05);
10. Provide initial training for you (3 persons) as provided below; and
11. Provide assistance for your Grand Opening (Franchise agreement—(Article 2.07)

### Post-Opening Obligations.

After you open your Presotea Shop, we will:

1. Take any actions we deem appropriate to protect or defend the Marks or System (Franchise Agreement - Article 1.04);
2. Provide you periodic updates to the Operations Manual (Franchise Agreement - Articles 1.05, 5);
3. Provide you with ongoing lists of current and new menu items, recipes and suggested pricing guidelines, and approved vendors and approved items to be sold, which may be communicated through Operations Manual updates or other internal communications. (Franchise Agreement – Articles 1.05, 5);
4. Provide a periodic training program for your manager(s) and for certain other employees, at our regular charge for the training (Franchise Agreement - Articles 4 & 5), and provide training for your local employees at your local training center;
5. Provide periodic consultation and advice concerning your operation of the Business and to generally be of assistance (Franchise Agreement, Article 1);
6. Provide you specifically requested additional training onsite at a mutually agreeable time for the current daily additional training fee (currently \$495 per day). Franchise Agreement, Article 4.02);
7. Maintain the website: [www.presoteaca.com](http://www.presoteaca.com) Franchise Agreement, Article 2.3(f));
8. Manage the Regional Advertising Fund and programs (Franchise Agreement, Article 2.3);

### **Marketing And Advertising**

#### Local Area Advertising

You are required to spend at least 5% Gross Revenues per month on local area advertising and must provide us with proof of expenditures upon our request. You must obtain our prior consent for local advertising. You may purchase certain specific marketing and advertising items from us to market and advertise your Presotea Shop. You may not use any other advertising or marketing without our consent and may not utilize any ads we do not approve our consent, which we may withhold in our sole discretion to protect our brand and image.

#### Grand Opening

You are required to have Grand Opening, which may cost between \$4,000 and \$5,000 in Grand Opening promotions and provide us a plan we will approve. The plan should include Public Relations, Media Outreach, Social Media, Events-Set up, Mailers, advertising, and on-site presence and promotions. We will provide guidelines for conducting a Grand Opening Plan.

## Regional Advertising Fund

We have a Regional Advertising Fund for Presotea branding in Southern California, (the "Fund") for such advertising, marketing and public relations programs as we, in our sole discretion, may deem necessary or appropriate to promote Presotea Shop locations, in Southern California. You must participate in all advertising and public relations programs instituted by the Fund. We will administer the Fund as follows:

The Fund may be used in our sole discretion to pay the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and conducting television, radio, magazine, newspaper, direct mail and coupon advertising campaigns and other public relations activities; employing advertising agencies; providing a telephone number for prospective customers to call for referral purposes; and providing promotional brochures and other marketing materials to franchisees in the System) and maintenance of our main website **www.presoteaca.com**. No money will be spent by the Fund to solicit new franchisees except for the presence of the "franchises available page(s)" on the website. The Fund may be used to cover administrative costs and overhead we may incur including salary costs of employees working for the Fund, up to 15%.

The amount you are required to contribute to the Fund is 5% of your Gross Revenues.

All Presotea Shops will contribute to the Fund on the same basis as you.

The Fund will be accounted for separately from our other funds. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Presotea Shop locations to the Fund in that year, and the Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Fund or cause the Fund to invest any surplus for future use by the Fund. A statement of monies collected and costs incurred by the Fund will be prepared annually by us and will be furnished to you upon written request. This statement will not be audited.

The Fund is intended to maximize recognition of the Proprietary Marks and patronage of Presotea Shop locations throughout Southern California. Although we will endeavor to utilize the Fund to develop advertising and marketing materials and programs, and to place advertising, in order to benefit all Presotea Shop locations, we undertake no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by the Presotea Shop locations operating in that geographic area or that any Presotea Shop location will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. Your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Fund. We have no fiduciary obligation to you or any other Presotea Shop in connection with the establishment of the Fund or the collection, control or administration of monies paid into the Fund. We expect to focus all marketing using Regional Marketing Fees in areas where we have one or more franchisees, although the Agreement does not require us to benefit you with every marketing program. We may charge our marketing research, development and production expenses against the Regional Marketing Fees. Any Regional Marketing fees not used during any one year remain in the marketing fund for the next year. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Fund.

In 2023, according to our predecessor, the Fund was spent as follows:

56% on Social Media and Yelp, 20% on Marketing and E-mail Marketing, 17% on Market Research, 5% on Website Maintenance, and 2% on Software & Licenses.

### Advisory Councils

We currently do not have an advisory council.

### Advertising Cooperatives

We do not have any advertising cooperatives.

Except as provided above, we do not have any obligation to conduct any advertising or spend any particular amount of advertising in your territory.

### **Computer Hardware And Software**

We require you to purchase use, and maintain the TOAST POS from an approved vendor. The POS System will likely include: 1 label printer, 1 on-counter POS TOAST Printer with cash drawer, 1 TOAST TO GO pay at table, 1 router, 1 wireless access point, 1 kitchen display. We reserve the right to modify this configuration as we deem appropriate.

At the time of this disclosure document, the price ranges from \$3,000-\$5,000 which you will purchase directly from the vendor. We will have access to monitor your sales, and other information. We do not receive any rebates for you to purchase and use this product. We may require you to upgrade the POS system at the time of your renewal term, or upon transfer.

The POS system includes Merchant Services, and a Mobile App which you will pay \$274/month, to the vendor, subject to any price changes from the Vendor. We may have access to this system.

We do not have any proprietary software at this time.

### **Site Selection And Time To Open**

It is our standard procedure to have you search, identify and select the site for the Presotea Shop. We will approve, conditionally approve (subject to receiving more information), or decline approval of a site generally within 20 days of receiving your request for approval. Our site acceptance is based on residential population, traffic counts and patterns, competing establishments, median income levels, availability of parking, rental and lease terms, physical configuration of the site and growth trends in the area. We must approve any site selected, but our approval in no way serves as a guarantee of success for the location, only that it meets our general criteria. If you cannot find a suitable site within 180 days (or more, if you request and receive an extension) from signing the Franchise Agreement, we may terminate the Franchise Agreement and you will not be entitled to receive any refund of the Initial Franchise Fee.

The typical length of time between when you sign the Franchise Agreement and the time when your Presotea Shop opens will generally be 6 to 8 months, or more, but may be sooner.

The factors affecting this length of time include the time necessary for you to obtain your location, the tenant improvements to be completed, and to obtain your equipment furniture fixtures and signs, and other décor items needed, and to schedule your initial training, and hire and train any necessary employees. There may be other circumstances for which, because of delays, construction schedules and other events beyond your and our control, it takes longer.

You shall not to open your Presotea Shop for business until: (1) we approve the location improvements as developed according to our specifications and standards; (2) pre-opening training been completed to our satisfaction; (3) the required Franchise Fee then due to us has been paid and (4) we

have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums. You must open the Presotea Shop for business within 20 days after we notify you that it is ready to open unless there are circumstances beyond your control.

In determining whether or not to terminate current employment you must take into account that there is always uncertainty about how long it will take to locate, construct, and open your Presotea Shop location and about whether you will successfully complete training.

We may require you to remodel or upgrade your premises to current standards and look, not less than once every 5 years, or upon relocation or renewal of the franchise agreement.

You must execute a Lease Conditional Assignment or similar language in your location leases, assigning rights to take over the location to us upon their default. The form Lease Conditional Assignment is in Exhibit E to the Franchise Agreement.

### Training

Our Initial Training Program consists of approximately 120 hours over 15 days, concerning all aspects of the operation and management of the Presotea Shop, including review and discussion of the Confidential Operations Manual. We will be available to advise and assist you in opening the Presotea Shop by coordinating your pre-opening activities and operations, as we deem necessary for the opening of your Store. Listed below is a chart showing our tentative training schedule, the principal instructors, the instructional material you will use, and the location of the training.

**Initial Training Program**

<b>Subject</b>	<b>Hours of Classroom training</b>	<b>Hours of on-the-job training</b>	<b>Location</b>
<b>Day 1</b> Introduction and overview to Machines & Operations	1	7	Franchised Shop in Southern California
<b>Day 2</b> Machine Operations, Counter Operations, Troubleshooting & Maintenance	1	7	Franchised Shop in Southern California
<b>Day 3</b> Kitchen Preparations Food Safety	1	7	Franchised Shop in Southern California
<b>Day 4</b> Opening/Closing Procedures Topping Series, cooking pearls, basil seeds, etc.	1	7	Franchised Shop in Southern California
<b>Day 5</b> Recipe Training/Latte Series	1	7	Franchised Shop in Southern California
<b>Day 6</b> Recipe Training/Fresh Tea Series	1	7	Franchised Shop in Southern California
<b>Day 7</b> Recipe Training/Milk Tea Training	1	7	Franchised Shop in Southern California
<b>Day 8</b> Recipe Training/Smoothie Series	1	7	Franchised Shop in Southern California
<b>Day 9</b> Recipe Training/Special Drinks Series	1	7	Franchised Shop in Southern California
<b>Day 10</b> Positioning/Topping Drink Building – work flow efficiency	1	7	Franchised Shop in Southern California

<b>Day 11</b> Inventory Ordering & Inventory Control Logistic management	<b>1</b>	<b>7</b>	<b>Franchised Shop in Southern California</b>
<b>Day 12</b> POS & Mobile App training	<b>1</b>	<b>7</b>	<b>Franchised Shop in Southern California</b>
<b>Day 13</b> Customer service & Response	<b>1</b>	<b>7</b>	<b>Franchised Shop in Southern California</b>
<b>Day 14</b> Management Training, Review and Test	<b>1</b>	<b>7</b>	<b>Franchised Shop in Southern California</b>
<b>Day 15</b> Marketing and Grand Opening Plan, first Order	<b>1</b>	<b>7</b>	<b>Franchised Shop in Southern California</b>
<b>Total</b>	<b>15</b>	<b>105</b>	

The above schedule is only an estimate and not a definitive set of hours. We may add topics and hours and delete topics and hours based on our refinement of the Training Program.

Our training trainers are: Melanie Yi, Shawn Yi, Ethan Yi, and Nate Yi. Their training experience includes full training to be trainers from the former owner of the Master Franchise business.

All training in the Initial Training Program occurs at our training office in a Presotea Shop in Southern California, or other shops or locations in Southern California as we designate.

You and your trainees must successfully complete the Initial Training Program. We will decide whether you successfully complete the Initial Training Program based upon knowledge, our observations of your ability to use the knowledge effectively. If you or your manager do not successfully complete the initially training, or pass our training test, you or your manager may be required to retake the training and/or the test for an additional fee, or have an alternative person who will manage the store take the training and pass the test for an additional fee, and if you or your manager does not successfully pass the training and the test, we may terminate the Franchise Agreement with no refund to you.

You are responsible for training *all* your employees except those managers who are required to go through our Initial Training Program.

You are solely responsible for all recruitment, hiring and management of all your employees. We do not consult on or participate in employee hiring, management, payroll, or employment legal obligations. You are advised to consult appropriate employment professionals.

Additional training or services requested by you on your site will be \$495 per day per trainer plus travel and accommodation expenses.

## **ITEM 12**

### **TERRITORY**

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.

We will grant you a protected territory ("Territory"), which we will describe in Exhibit B to the Franchise Agreement. If you are not in breach of the Agreement, we will not locate or open a Presotea Shop in your Territory, either company-owned or franchised, during the term of the Agreement. Your Territory will generally be a 1 mile radius.

You are permitted to operate your Presotea Shop only within your Territory. If you seek to relocate your Presotea Shop you must obtain our approval of the new location, which must be inside your Territory. We have the right to deny a relocation that in our opinion would be too close to another Presotea Shop even if inside your Territory. We reserve the right to re-draw your or other franchisees' Territory borders with your or the other franchisees' consent, to accommodate a re-location or a new franchise to accommodate a distance in our opinion that would be beneficial to contiguous territories. We will not re-draw your Territory without your consent.

The Franchise Agreement does not grant you any options, rights of first refusal or similar rights to contiguous territories.

There are no restrictions on where customers may come from. You may only engage in direct marketing within your Territory, except with our prior approval.


We reserve the right to use other channels of distribution (e.g. the internet, catalog sales, telemarketing or other direct marketing) inside your territory using the principal trademarks. We reserve the right to use other channels of distribution (e.g. the internet, catalog sales, telemarketing or other direct marketing) to make sales inside your territory using other trademarks. If we solicit or accepts orders within your territory we need not pay you any compensation. We specifically reserve the exclusive right to sell any of our products through internet sales at prices we chose, even if the customer lives within your Territory, and we need not pay you any consideration.

You will not sell products and services through alternative distribution channels or through the Internet on in any online manner, except through our online ordering system (and then only in accordance with our specifications.

You must adhere to our social media policy.

### **ITEM 13** **TRADEMARKS**

Our Franchisor, Presotea USA has a license from its affiliate ***Presotea Taiwan*** to license us the trademark/application indicated below ("Mark") and has entered into Master Franchise Agreement with us authorizing us to license and subfranchise the Marks to you. If we lose our right to license to you, you will automatically have a direct license with our Franchisor, Presotea USA and will not lose any rights to use the Mark or the name "Presotea" in accordance with the Franchise Agreement. You must follow our rules when you use the Mark. You may only use the Mark exactly as we specify. You may not use the Mark in connection with the offer or sale of any unauthorized product or service. The following is the registered trademark we are authorized to license to you:

MARK	REGISTRATION DATE	REGISTRATION NUMBER	I.C.	STATUS
	JANUARY 7, 2020	5956179	30 43	REGISTERED (Principal)

and any other logos our Franchisor authorizes us to designate.  
All renewal affidavits will be timely filed.



There are no presently active determinations of the USPTO or any state or any court, any pending interference, opposition or cancellation proceeding or any pending material litigation involving the Mark that is relevant to your ability to use the Mark in connection with your Presotea Shop.

Other than our Master Franchise Agreement with our Franchisor, and their License from ***Presotea Taiwan***, there are no agreements that significantly limit our rights to use or license you to use the Mark in any manner material to your Presotea Shop.

You must inform us if you become aware of any misuse or misappropriation of the Mark or anything confusingly similar. You may not start any litigation relating to the wrongful use of the Mark without our prior written approval. We may take whatever action we deem appropriate to protect or defend the Marks or System, but we need not take any action.

Other than as indicated above, we do not know of any person claiming or having superior rights to the Mark, or of any infringing uses of the Mark that could materially affect your use of the Marks.

If a third party sues you or threatens to sue you, claiming that you are infringing the trademark or trade name of the third party by using the Mark, you must inform us immediately, and we will determine whether or not we will defend and indemnify you in this lawsuit, and if we do, we have the right to control the litigation including any settlement, for which we will indemnify you. However, we will not agree to any judgment against you.

It may become necessary in our sole discretion, because of trademark litigation, a decision of the USPTO, or otherwise, to change the Mark. In that event, you must adopt the new or revised Marks at your cost, unless the change is as a result of a trademark infringement judgment for our use and your use, and in such case, and our maximum liability, is to reimburse you for the actual out-of-pocket costs of changing the principal signs identifying your Presotea Shop.

Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Mark. You also retain no rights in the Mark upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing.

You may not use our Mark, the name or the word "Presotea" in your corporate or LLC name. You or your corporation or LLC may file a fictitious business name statement in the county where your Presotea Shop is located, with our prior consent as to format of the name.

We may change the System presently identified by the Mark, including the adoption of new Mark, new products, new equipment or new techniques and you must adopt the changes in the System at your cost. You must comply within a reasonable time if we notify you to discontinue or modify your use of the Mark. Except as provided in this Item 13, we will have no liability or obligation to reimburse you for your modification or discontinuance of the Mark or costs of implementing a new Mark.

## **ITEM 14**

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

We do not currently own any patents or registered copyrights. We claim copyright protection in the Operations Manual and revisions, and all training materials we provide or sell to you and your employees. We claim proprietary and copyright protection in all our recipes. You may not copy, reverse engineer or otherwise duplicate or substantially duplicate any of our proprietary menu items, including the names of the items as used in your Presotea Shop.

We or our Franchisor will protect you against any copyright infringement claims arising from your use of the Operations Manual, training materials, recipes, and any other items we hereafter claim copyright protection, providing that you promptly notify us of any alleged infringement claim. The Franchise Agreement does not require us to take any specific affirmative action when notified of infringement, however we or our Franchisor will have the right to control over any litigation, and will defend you in any such litigation. Our obligation may be contingent upon requiring you to modify or discontinue use of any infringing copyrighted material. If this happens you must discontinue such use and we will pay for substituted materials.

Our Operations Manual contains all aspects about the operations of your Presotea Shop and our company philosophy. We reserve the right to modify, add, delete and revise the Manual at any time in our sole discretion, and if we do we will provide you with updates sections either electronically or hard copy or both. The Table of Contents of our Operations Manual is contained in Attachment D.

The Manual(s), the contents of each, and certain other information we will provide to you, including certain international materials financial information, including reports on marketing funds expenditures, are all confidential information. All information we provide to you or which you develop in the course of performing under the Franchise Agreement, which is not generally available to the public is our Proprietary Information. You are responsible for protecting all Proprietary and Confidential Information and you cannot transfer them or sell the same to anyone at any time, except as part of a sale of your Presotea Shop in accordance with the franchise agreement.

All of your employees must sign a confidentiality agreement in which they promise to keep all of our proprietary information confidential and to follow our directions regarding its use. The current form of confidentiality agreement is Exhibit I to the Franchise Agreement.

## **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE OPERATION OF THE FRANCHISED BUSINESS**

You must either devote your full time and effort to managing and operating the Presotea Shop or delegate its management or operation to a trained manager, and must reserve and exercise ultimate authority and responsibility over operation and management. If you delegate management and operation to a manager, the manager must first successfully complete our initial training program before, or within thirty days after assuming the role of manager. If you are a corporation or other entity, each owner must personally guaranty the Agreement and the entity must designate a competent manager. We do not require the designated manager to be an equity owner of the franchised business.

All of your employees must sign a confidentiality agreement. The current form of confidentiality agreement is Exhibit I to the Franchise Agreement.

## **ITEM 16**

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

You may offer for sale only products and services we approve. You must offer all required products and services under our Marks and following our System. You must obtain your product, inventory, supplies and equipment from vendors and suppliers we approve.

We have sole discretion in determining what constitutes the Presotea Shop image.

You will not sell products and services through alternative distribution channels or through the Internet on in any online manner, except through our online ordering system (and then only in accordance with our specifications).

We may change the menu items, recipes, inventory requirements, or any other part of the System at any time, and you must implement all changes at your expense. We own any improvements or changes in the System whether we, you or other franchisees develop them and have the right to adopt and perfect such improvements or changes without compensating you. If we modify the System, you must, at your own expense, adopt and use the modification(s) as if they were part of the System at the time you signed the Agreement, providing we implement such changes across all the franchisees. There are no restrictions on our right to modify the types of goods and services you will offer that we determine should be offered at your Presotea Shop location.

You may not use your Presotea Shop for any purposes other than the operation of the Presotea Shop in full compliance with the Franchise Agreement and Operations. You must purchase, use and offer each of and only the types, brands, food and menu items, recipes, and quality of products and services we designate, and no others we do not designate.

You must operate your Presotea Shop all days and during the minimum hours we prescribe in the Operations Manual, unless local conditions, or terms of your lease, require different days/hours or you obtain our prior written consent. Your operations must comply with all laws, including, but not limited to, laws on packaging, labeling, health and sanitation, environmental waste, and the like. You must investigate these laws and ensure compliance.

Any variation from our mandatory requirements requires our prior written approval. We grant approval only in exceptional cases in our discretion. Granting an exception to another franchisee does not require us to grant you that *or* any exception. We may add to, modify or discontinue the approved list of menu items, ingredients, preparation processes, or other goods and services you must offer. We communicate changes by written bulletin or revisions to the Operations Manual. There is no limit on our right to impose these modifications. You will be given reasonable time (at least 30 days) after notice from us to implement changes and stop selling particular items which we delete from the approved list.

*The remainder of this page is intentionally left blank.*

## **ITEM 17**

### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

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

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Term of the Franchise Agreement	Article 1.01	6 years.
b.	Renewal or extension of the Franchise term	Article 9.01	If You are in good standing and We continue the franchise system in Your area, We may permit You to renew for another 6-year Franchise term under the then-current Franchise Agreement, which may be materially different than the agreement you sign.
c.	Requirements for you to renew or extend	Article 9.02	Be in good standing, sign new agreement, update or replace equipment, retain location, give 12 months notice and pay an Renewal fee of \$20,000.
d.	Termination by You	None	
e.	Termination by Franchisor without cause	None	
f.	Termination by Franchisor with cause	Article 1.03 Article 15a-c	We may terminate your Franchise Agreement only for cause.
g.	"Cause" defined--defaults which can be cured	Article 15a	<p>You have 10 days to cure: failure to pay us or our affiliate; attempted unauthorized assignment; temporary abandonment; misuse of Marks; refusal to permit an audit; violation of any law or rule, failure to use approved vendors; failure to have sufficient inventory; failure to have trained manager on premises; failure to maintain insurance; failure to timely deliver estoppel certificate;</p> <p>You have 30 days (subject to state laws) to cure any other breach of the Agreement not specified for a shorter period.</p>
h.	"Cause" defined--defaults which cannot be cured	Article 1.03 Articles 4.01 & 15b	Non-curable defaults: failure to complete training successfully, repeated defaults, even if cured; you are adjudged bankrupt; assignment for benefit of creditors; abandonment of business; failure to correct any health codes violation or regulations; premises gets shut down by government, or Landlord, and you fail to obtain a replacement location within 90 days; conviction of a felony, unethical or dishonest business dealings; termination of any other agreement between you and us for cause.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
i.	Your obligations on termination/expiration	Articles 16a & 17.01-17.06	No further use of Marks, telephone numbers, telephone listings, any computer software, trade secrets or the Manual; certain notification obligations; payment of sums due to us; We have option to lease or assume lease for your location; sign document(s) to transfer telephone numbers; continuing royalties on pending sales, if any; and We have option to purchase any part of your business assets. If we elect to assume your lease(s) and to operate the Presotea Shop business from your Location, we will purchase of assets (other than the trademarks or franchise license), for Fair Market Value; You must cooperate in a changeover procedure, in order to facilitate a smooth transition. We have the right to assign any of the Presotea locations to another franchisee.
j.	Assignment of contract by Franchisor	Article 12.05	No restriction on our right to assign if our assignee assumes all of our obligations.
k.	"Transfer" by You—definition	Article 12.01	Includes any assignment, transfer, sale, of the Franchise Agreement, or a substantial portion of the assets comprising the Presotea shop, or change in a majority ownership interest in the Franchisee if you are a corporation, partnership or limited liability company or other form of Entity.
l.	Franchisor's approval of transfer by franchisee	Articles 12.01, 12.04	Franchisor has the right to approve or disapprove all transfers.
m.	Conditions for Franchisor's approval of transfer	Articles 12.02-12.06	You are current in all fees to us; You are not in material breach of the Agreement; No recent health and safety violation; You have paid all debts of your business; new Franchisee signs release of claims against Us for representations You made; You sign a mutual termination and release of the Agreement; We receive Transfer Fee \$20,000; new Franchisee signs the then-current form of Franchise Agreement, new Franchisee qualifies; new Franchisee successfully completes initial training program; new Franchisee obtains rights to your location leases, and we receive 30 day right of first refusal.
n.	Franchisor's right of first refusal to acquire your business	Article 12.02k	We may match any offer for your Franchise business.
o.	Franchisor's option to purchase your business	Articles 17.03, 17.05	On termination or expiration, we may purchase any part of your Franchise business at the fair market value of the tangible personal property purchased.

	Provision	Section in Franchise Agreement	Summary
p.	Your death or disability	Articles 13.01-13.03	Your heirs or personal representative must, within 6 months, either (i) request the right to continue to operate the business, subject to Article 13 of the Franchise Agreement except that no Transfer Fee will be payable, or (ii) sell the Franchise to a third party, subject to Article 13 of the Agreement. The same applies if you become disabled as defined in Article 14 of the Agreement.
q.	Non-competition covenants during the term of the franchise	Article 16a-h	No involvement in any competing business anywhere.
r.	Non-competition covenants after the franchise is terminated or expires	Article 16a-h	Subject to State law, for 24 months, you must not compete with us within 20 miles of any Presotea Shop location, solicit or divert any of our customers or vendors or customers or vendors of any other franchisee, disclose any trade secrets, or solicit or hire any of our employees, former employees or franchisees' employees. Subject to State law, for 24 months, you will not be employed by or in business with any person or entity that does any of those things.
s.	Modification of the agreement	Article 20.12	Only by written agreement; We may modify Operations Manual at any time.
t.	Integration/merger clause	Article 20.11	Only the terms of this Franchise Disclosure Document and the Franchise Agreement are binding (subject to state law). Any other promises or agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Article 18.01-18.04	Except for actions for the sole purpose of collecting unpaid monies, including franchise fees, royalties or marketing fees, or to enforce trademark or trade secret rights and covenants against competition, we and you will settle all disputes by mandatory binding Arbitration.
v.	Choice of forum	Article 18.01	Litigation or arbitration must be in the state of California.
w.	Choice of law	Article 20.09	The law of the state of California applies.

## **ITEM 18**

### **PUBLIC FIGURES**

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

*The remainder of this page intentionally left blank.*

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting **Shawn Yi, 170 E Yorba Linda Rd. #1035 Placentia, CA 92870; PH#714-623-7934; email [presoteacorp@gmail.com](mailto:presoteacorp@gmail.com)** and the Federal Trade Commission, and the appropriate state regulatory agencies.

*The remainder of this page is intentionally left blank.*

**ITEM 20-A**  
**OUTLETS AND FRANCHISEE INFORMATION\***

\*The following 5 tables are Outlet information for MSY Management, Inc, which is a Master Franchisee for Southern California, and the Franchisor under this disclosure document; the second set of tables 1-5 constitute Outlet information for the combined the total of all US Master Franchisees' subfranchised Outlets plus US Master Franchisees' company-owned Outlets.

Table 1  
Outlet Summary  
For years 2021-2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Southern CA	2021	0	9	+9
	2022	9	13	+4
	2023	13	12	-1
Company-Owned* Southern CA	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total Outlets Southern CA	2021	1	10	+9
	2022	10	14	+4
	2023	14	13	-1

\*Company owned is for predecessor. As of April 2024 that 1 unit became a franchisee.

Table 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2021 to 2023

State	Year	Number of Transfers
Total Southern CA	2021	0
	2022	0
	2023	2



Table 3  
Status of Franchised Outlets  
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminated	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Southern California	2021	0	9	0	0	0	0	9
	2022	9	5	0	0	0	1	13
	2023	13	1	0	0	0	2	12

Table 4  
Status of Company-Owned Outlets  
For Years 2021 to 2023

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
Southern California*	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

\*Company owned is for predecessor. As of April 2024 that 1 unit became a franchisee.

Table 5  
Projected Openings As of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year (2024)	Projected New Company-Owned Outlets In The Next Fiscal Year
So California	0	1	0
TOTALS	0	1	0

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

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

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

**ITEM 20-B**  
**OUTLETS AND FRANCHISEE INFORMATION\***

\*The following 5 tables are Outlet information for the combined the total of all US Master Franchisees' subfranchised Outlets plus US Master Franchisees' company-owned Outlets.

Table 1  
System-wide Outlet Summary  
For years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised*	2021	7	16	+9
	2022	16	26	+10
	2023	26	25	-1
Company-Owned**	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total US Outlets	2021	8	17	+9
	2022	17	27	+10
	2023	27	26	-1

\* the above franchised outlets were opened pursuant to Master Franchise Agreements which contain subfranchising rights.

\*\*Company owned is for predecessor. As of April 2024 that 1 unit became a franchisee.

Table 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2021 to 2023

State	Year	Number of Transfers
Total	2021	0
	2022	1
	2023	2

Table 3  
System-wide Outlet Summary  
For years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Terminated	Outlets Not Renewals	Outlets Reacquired by Franchisor	Outlets Ceased Operations Other Reasons	Outlets at End of Year
California	2021	1	9	0	0	0	0	10
	2022	10	6	0	0	0	1	15
	2023	15	1	2	0	0	0	14
Colorado	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Kansas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Michigan	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	1	2
Nebraska	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
	2023	2	2	0	0	0	0	4
Utah	2021	0	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<b>Totals</b>	<b>2021</b>	8	10	0	0	0	1	17
	<b>2022</b>	17	11	0	0	0	1	27
	<b>2023</b>	27	4	2	0	0	1	28

Table 4  
Status of Company-Owned Outlets  
For Years 2021 to 2023

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	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Total	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

Table 5  
Projected Openings As of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year (2024)	Projected New Company-Owned Outlets In The Next Fiscal Year
California	0	1	0
All Other states	0	0	0
TOTALS	0	1	0

Attachment C to this Franchise Disclosure Document is a list of all the open Presotea Units in the U.S. as of December 31, 2023 and a list of any former Unit Franchisees for the year ended December 31, 2022.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

EXHIBIT A contains our Audited Financial Statements, for the period from our inception April 3, 2024 through July 19, 2024. We have not been in business 3 years, so we are unable to provide the required 3 years financial statements.

Our fiscal year ends on December 31.

Exhibit A also includes the Audited financial statements of our Master Franchisor, Presotea (USA), Co. Ltd, for the periods ended December 31, 2023, December 31, 2022, and December 2021.

**ITEM 22**  
**CONTRACTS**

The following are the contracts and agreements you may be asked to sign, that are included in this Franchise Disclosure Document:

FDD:

Franchise Agreement-FDD Attachment B  
General Release-FDD Attachment G

Franchise Agreement:

Lease Conditional Assignment Agreement, Franchise Agreement, Exhibit E  
Assignment of Telephone numbers, Franchise Agreement, Exhibit F  
Personal Guarantee-Franchise Agreement, Exhibit G  
Electronic Funds Transfer Authorization, Franchise Agreement, Exhibit H  
Confidentiality Agreement (For Franchisee's Employees)-Franchise Agreement, Exhibit I

**ITEM 23**  
**RECEIPT**

There are two identical copies of the RECEIPT at the end of this Franchise Disclosure Document. Please remove one copy, sign and date it the day you received it, and return it to us, and keep the other copy for your records.

# PRESOTEA



## FRANCHISE DISCLOSURE DOCUMENT

### ATTACHMENTS

ATTACHMENT A	Financial Statements
ATTACHMENT B	Franchise Agreement with Exhibits
ATTACHMENT C	List of Current and Former Franchisees
ATTACHMENT D	Table of Contents for Manual
ATTACHMENT E	State Administrators and Agents for Service of Process
ATTACHMENT F	State Specific Addenda
ATTACHMENT G	General Release
ATTACHMENT H	Receipts

**ATTACHMENT A**  
**FINANCIAL STATEMENTS**

**MSY MANAGEMENT, INC.**

**MSY MANAGEMENT, INC.**

**Report on Audited Financial Statements**

**From April 3, 2024 (Date of Inception) Through July 19, 2024**



**MSY MANAGEMENT, INC**  
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Report on Audited Financial Statements  
From April 3, 2024 (Date of Inception) through July 19, 2024

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**John Samaan, CPA**

CERTIFIED PUBLIC ACCOUNTANT

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Member: American Institute of  
Certified Public Accountants

California Society of  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the President  
of MSY Management, Inc.

**Opinion**

I have audited the accompanying financial statements of MSY Management, Inc. (a California Corporation), which comprise the balance sheet as of July 19, 2024, and the related statements of Income, changes in stockholder's equity, and cash flows from the date of inception, April 3, 20224 through July 19, 2024, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MSY Management, Inc. as of July 19, 2024, and the results of its operations and its cash flows for from the date of inception, April 3, 20224 through July 19, 2024 in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of MSY Management, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MSY Management, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

75-280 Highway 111, Suite 101-1B, Indian Wells, California 92210

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John@JohnSamaanCPA.com

#### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my 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 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, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSY Management, Inc.'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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about MSY Management, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

*John Samaan, CPA*

John Samaan, CPA  
Indian Wells, California  
July 19, 2024

**MSY Management, Inc.**  
**Balance Sheet**  
**July 19, 2024**

	<u>July 19, 2024</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 88,962
Total Current Assets	<u>88,962</u>
Long Term Assets:	
Intangible Assets, net (Note 3)	330,000
Total Long Term Assets	<u>330,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 418,962</u></b>
<b><u>LIABILITIES AND SHAREHOLDER'S EQUITY</u></b>	
Current Liabilities:	\$ -
Total Current Liabilities	<u>-</u>
Long Term Liabilities (Note 4)	155,000
Total Long Term Liabilities	<u>155,000</u>
Total Liabilities	155,000
Stockholder's Equity	
Common stock, \$0.01 par value; 1,000,000 shares authorized; 100,000 issued and outstanding	1,000
Additional Paid-In-Capital	278,750
Retained Earnings	(15,788)
Total Stockholder's Equity	<u>263,962</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 418,962</u></b>

See accompanying independent auditor's report and notes to financial statements.

Page 3

**MSY MANAGEMENT, INC.**  
Statement of Income  
From April 3, 2024 (Date of Inception) Through July 19, 2024

	<u>From April 3, 2024 (Date of Inception) Till July 19, 2024</u>
Revenue	\$ -
Cost of Goods Sold	-
Gross Profit	<u>-</u>
Operating Expenses	
Business Licenses & Tax	150
Computer & Internet Expenses	100
Legal & Professional Expenses	15,500
Office Supplies	38
Total Operating Expenses	<u>15,788</u>
Loss From Operations	<u>(15,788)</u>
Net Loss Before Tax	(15,788)
Provision For Income Tax	-
Net Loss	<u><u>\$ (15,788)</u></u>

See accompanying independent auditor's report and notes to financial statements  
Page 4

**MSY Management, Inc.**  
Statement of Changes in Stockholder's Equity  
From The Date of Inception, April 3, 2024 Through July 19, 2024

	<u>July 19, 2024</u>
<b>STOCKHOLDERS' EQUITY</b>	
Common Stock:	
Common stock, beginning balance	\$ 1,000
Common stock purchased for the period ended July 19, 2024	-
Total Common Stock	<u>1,000</u>
Additional Paid-in Capital:	
Additional paid-in capital, beginning balance	-
Additional paid-in capital for the period ended July 19, 2024	278,750
Total Additional Paid-in Capital	<u>278,750</u>
Retained Earnings:	
Retained earnings (Accumulated Deficit), beginning balance	-
Net loss for the period ended July 19, 2024	(15,788)
Total Retained Earnings	<u>(15,788)</u>
 Total Stockholders' Equity	 <u><u>\$ 263,962</u></u>

See accompanying independent auditor's report and notes to financial statements.

Page 5

**MSY Management, Inc.**  
**Statement of Cash Flows**  
From The Date of Inception, April 3, 2024 Through July 19, 2024

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>July 19, 2024</u>
Net Loss	\$ (15,788)
Adjustments to reconcile change in net loss to net cash used for operating activities:	-
Net Cash Used For Operating Activities	<u>(15,788)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of master franchise	<u>(175,000)</u>
Net Cash Provided By (Used For) Financing Activities	<u>(175,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Issuance of Common Stock	1,000
Additional Paid-In-Capital	<u>278,750</u>
Net Cash Provided by Financing Activities	<u>279,750</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	
Net Increase in cash and cash equivalents	88,962
Cash and cash equivalents, as of the date of Inception, April 3, 2024	-
Cash and cash equivalents, as of July 19, 2024	<u><u>\$ 88,962</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>	
Income Tax Paid	<u>-</u>
Interest Expense	<u><u>-</u></u>

See accompanying independent auditor's report and notes to financial statements.

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**MSY Management, Inc.**  
Notes to Financial Statements  
From Date of Inception, April 3, 2024 through July 19, 2024

**NOTE 1 – NATURE OF ORGANIZATION**

MSY Management, Inc. (“the Company”), a California Corporation, was formed in the State of California on April 3, 2024. On May 29, 2024, the Company became a Southern California Master Franchisee for Presotea via a Transfer of Master Franchise agreement (“Agreement”) from Kat & Ell, CORP. (Formerly A California Master Franchisee for Presotea) which cover the following ten counties: San Diego, Imperial, Orange, Riverside, Santa Barbara, Ventura, Los Angeles, San Luis Obispo, Kern, San Bernardino County. The agreement includes the assignments of 14 franchise agreements for 13 operating stores and 1 franchisee store yet to open. Also, on the same date, the Company became the Master Franchisee for Presotea for the State of Texas via a Transfer of Master Franchise agreement from Kee & Associates International, LLC. (Formerly the Texas Master Franchisee for Presotea). The Company is in the business of selling franchises of PRESOTEA, a brand of consumer tea beverage products. The Company sublicenses from Presotea (USA) Co., Ltd., the Presotea brand, trademarks, its franchise and operating system.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The Company prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) in the United States of America.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported operations of the Company for the period presented. Accordingly, actual results could differ from those estimates.

**Cash and cash equivalents** - The Company defines cash equivalents as cash and checks available for deposit, and cash in checking accounts, along with all highly liquid investments with original maturities of three months or less.

**Intangible Assets** - Intangible assets are recorded at cost. the Company adopted Financial Accounting Standard Board Accounting Standards Codification (FASB ASC 360, Intangibles-Goodwill and Other) which requires that long-lived assets be evaluated to determine if the fair value of the asset exceeds the carrying value of the assets for the purposes of recognizing an impairment loss. The useful life was determined to be 6 years for the Master Franchise costs. The Management has determined there has been no impairment of these assets from April 3, 2024 (Date of Inception) through July 19, 2024 a.

**Revenue Recognition** - The Company recognizes revenue in compliance with FASB ASC 606 “Revenue from Contracts with Customers”. As such, the Company identifies a contract with a customer, identifies the performance obligation in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.



**MSY Management, Inc.**  
Notes to Financial Statements  
From Date of Inception, April 3, 2024 through July 19, 2024

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenue Recognition*** – Continued

Master franchise grants a conditional license to use and to franchise others to use the Company's operating system and marks in operations of stores within the geographic franchised area. The non-recurring and non-refundable franchise fee is billed based on the schedule of executed franchise agreement, and revenue is recognized over the period of agreement.

Area franchise fee is to grant the right to open franchised shop set in the agreement, in future periods in specific geographic areas. Area franchise fee is billed based on the number of stores open. The Company recognizes related revenue according to the number of stores opened based on the term of the agreement. The pre-opening services provided to franchisees contain separate and distinct performance obligations from the term of the franchise agreement; thus, the revenue will be recognized when a separate performance obligation is satisfied. Franchise renewal fees for future license renewal periods are amortized over the life of the renewal period. Royalty fees are billed based on a percentage of franchise store sales revenue and are recognized on a monthly basis. Brand fund fees are billed annually based on a percentage franchise store sales revenue and are recognized on a monthly basis.

***Property and equipment*** - Property and equipment are stated at cost. Major renewals and improvements are charged to the property accounts. Replacements, maintenance, and repairs - which do not improve or extend the life of the respective assets - are expensed currently. At the time properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts. Gain or loss from dispositions is credited or charged to income.

Depreciation is computed on the straight-line method over estimated useful lives ranging from 3 to 7 years. There was no Depreciation expense for the period from the date of inception April 3, 2024 (Date of Inception) through July 19, 2024.

***Advertising costs*** - The Company does not capitalize advertising costs but instead expenses them as they are incurred. The Company did not expense any advertising costs from the date of inception April 3, 2024 (Date of Inception) through July 19, 2024.

***Accounts Receivable*** - The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Assessing the collectability of customer receivables requires management judgment. The Company determines its allowance for doubtful accounts by specifically analyzing individual accounts receivable, historical bad debts, customer concentrations, customer creditworthiness, current economic and accounts receivable aging trends, and changes in customer payment terms.

***Income Taxes*** - The Company, with the consent of its shareholder, is in the process of electing S corporation status since April 3, 2024. As such the income generated is subject to income taxes under section 1372 of the Internal Revenue Code, which provides that, in lieu of corporation income taxes, the shareholders are taxed on their proportionate share of the Company's taxable income. Therefore, no federal income taxes are recorded in the accompanying financial statements. California state regulations, however, require payment of a franchise tax 1.5% of state taxable income with a minimum of \$800 tax due for each year.

**MSY Management, Inc.**  
Notes to Financial Statements  
From Date of Inception, April 3, 2024 through July 19, 2024

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Concentrations of Credit Risk** - Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by FDIC for the Company. The Company has cash account held in bank for which the balance is not insured by FDIC as of July 19, 2024 to \$86,461.

**NOTE 3 – INTANGIBLE ASSETS** - The Company's intangible assets, consists of 13 franchise agreements for Presotea stores open and in operation in California and 1 franchisee in California who is not operating yet as of July 19, 2024, and 4 franchise agreements for Presotea stores open and in operation in Texas. The Franchisees all pay royalties and marketing fees, and potentially other fees to the Company. No new franchises/licenses were sold from April 3, 2024 (Date of Inception) through July 19, 2024, and will not be sold in California until the Company has properly registered to sell franchises with the California Department of Financial Protection and Innovation. The agreements are amortized over the useful life of six years and will be tested for impairment if a triggering event occurs that indicates the fair value of the assets may be below the book amount.

As of July 19, 2024, the Company's intangible assets consist of the following:

	As of July 19, 2024
Franchise agreements	\$ 330,000
Accumulated amortization	0
Intangible assets, net	\$ 330,000

No amortization expense was recorded for the period ended July 19, 2024.

**NOTE 4 – LONG-TERM LIABILITIES** - The Company has acquired Texas master franchise in the amount of \$155,000 via purchase agreement, to be paid on a monthly basis over 31 months, which do not bear interest during the installments period. As of July 19, 2024, the balance of the note payable was \$155,000.

For the Year Ended December 31,

2024	\$ 25,000
2025	\$ 60,000
2026	\$ 60,000
2027	\$ 10,000
	<u>\$ 155,000</u>

**NOTE 5 – RISKS AND UNCERTAINTIES** - Domestic and international economics continue to face uncertainty related to the impact of the COVID-19 pandemic. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors, all of which are uncertain and can't be predicted.

The management has evaluated subsequent events through July 19, 2024 which is the date the financial statements were available to be issued and is continually evaluating the impact the pandemic might have on its future operations.

**AUDITED FINANCIAL STATEMENTS**  
**OF**  
**PRESOTEA (USA) CO., LTD.**  
**(OUR MASTER FRANCHISOR)**

January 31, 2024

**Mr. Sam Kuo**  
**PRESOTEA (USA) CO., LTD.**  
No. 3, Fuxing St., Tucheng Dist.  
New Taipei City 236, Taiwan (R.O.C.)

Dear Mr. Kuo:

We are enclosing three copies of the audited financial statements of **PRESOTEA (USA) CO., LTD.** as of and for the years ended December 31, 2023, and 2022. Please feel free to call us if you should have any questions.

Very truly yours,

**PRESOTEA (USA) CO., LTD.**  
Independent Auditors' Report  
and Financial Statements  
December 31, 2023 and 2022

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**JTC ACCOUNTANCY CORP**  
CERTIFIED PUBLIC ACCOUNTANTS  
4989 Santa Anita Avenue, Temple City, CA 91780  
Tel: (626) 279-1289 Fax: (626) 279-1878

**Independent Auditors' Report**

Board of Director and Stockholder  
**Presotea (USA) Co., Ltd.**

**Opinion**

We have audited the accompanying financial statements of **Presotea (USA) Co., Ltd.** (a State of Delaware corporation), which comprise the balance sheets as of December 31, 2023, and 2022, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of **Presotea (USA) Co., Ltd.** as of December 31, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in accordance 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Presotea (USA) Co., Ltd.** 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Presotea (USA) Co., Ltd.**'s ability to continue as a going concern within one year after the date that the financial statements are issued.



### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 could reasonably be expected influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Presotea (USA) Co., Ltd.**'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 **Presotea (USA) Co., Ltd.**'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*JTC Accountancy Corp.*

Temple City, California  
January 31, 2024



**PRESOTEA (USA) CO., LTD.**  
Balance Sheets  
December 31, 2023 and 2022

ASSETS

	December 31,	
	2023	2022
Current Assets		
Cash and cash equivalents	\$ 279,305	\$ 194,094
Accounts receivable	3,830	3,471
Prepaid income tax	6,795	7,000
Total Current Assets	289,930	204,565
Deferred income tax assets, net	-	-
Total Assets	<u>\$ 289,930</u>	<u>\$ 204,565</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities		
Other payable - related party	\$ 32,475	\$ 127,538
Deferred revenue	42,000	42,000
Accrued expenses	9,225	8,500
Total Current Liabilities	83,700	178,038
Total Liabilities	<u>83,700</u>	<u>178,038</u>
Stockholder's Equity		
Common stock, no par value; authorized 1,000 shares		
issued and outstanding 1,000 shares	200,000	200,000
Additional paid-in capital	400,000	200,000
Accumulated deficit	(393,770)	(373,473)
Total Stockholder's Equity	206,230	26,527
Total Liabilities and Stockholder's Equity	<u>\$ 289,930</u>	<u>\$ 204,565</u>

The accompanying notes are an integral part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
 Statements of Operations  
 For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue	\$ 117,369	\$ 190,759
Cost of Revenue	<u>11,737</u>	<u>19,076</u>
Gross Profit	105,632	171,683
Operating Expenses	<u>124,899</u>	<u>149,406</u>
Income (Loss) from Operations	<u>(19,267)</u>	<u>22,277</u>
Income (Loss) Before Income Taxes	(19,267)	22,277
Income Tax Expense	<u>(1,030)</u>	<u>(825)</u>
Net Income (Loss)	<u>\$ (20,297)</u>	<u>\$ 21,452</u>

The accompanying notes are an integral part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
Statements of Changes in Stockholder's Equity  
For the Years Ended December 31, 2023 and 2022

	Common Stock		Additional	Accumulated	Total
	Shares Issued	Amount	Paid-in Capital	Deficit	Equity
Balance, January 1, 2022	1,000	\$ 200,000	\$ 200,000	\$ (394,925)	\$ 5,075
Net income	-	-	-	21,452	21,452
Balance at January 1, 2023	1,000	200,000	200,000	(373,473)	26,527
Capital injection	-	-	200,000	-	200,000
Net loss	-	-	-	(20,297)	(20,297)
Balance at December 31, 2023	1,000	\$ 200,000	\$ 400,000	\$ (393,770)	\$ 206,230

The accompanying notes are an integral part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Net income (loss)	\$ (20,297)	\$ 21,452
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Deferred income taxes	-	-
Changes in operating assets and liabilities:		
Accounts receivable	(359)	(3,471)
Prepaid expenses	205	-
Other payable - related party	(95,063)	(16,571)
Deferred revenue	-	(7,000)
Accrued expenses	725	(3,500)
Net Cash Used for Operating Activities	(114,789)	(9,090)
Cash Flows from Financing Activity		
Capital injection	200,000	-
Net Cash Provided by Financing Activity	200,000	-
Net Increase (Decrease) in Cash and Cash Equivalents	85,211	(9,090)
Cash and Cash Equivalents, Beginning of Year	194,094	203,184
Cash and Cash Equivalents, End of Year	\$ 279,305	\$ 194,094
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for:		
Income taxes	\$ 825	\$ 825

The accompanying notes are an integral part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2023 and 2022

**Note 1 - Organization and Business**

Presotea (USA) Co., Ltd. (the "Company") was established as a corporation in the State of Delaware on August 24, 2018. It is a wholly owned subsidiary of Presotea Co., Ltd., a Taiwan incorporated company. The Company is in the business of franchises of PRESOTEA, a branding of consumer tea beverage products. The Company sublicenses from Presotea Co., Ltd., of the PRESOTEA brand, its franchise and operating system in the United States.

**Note 2 - Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates and assumptions.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value.

Allowance for Credit Losses

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make the required payments. Assessing the collectability of customer receivables requires management judgment. The Company determines its allowance for doubtful accounts by specifically analyzing individual accounts receivable, historical bad debts, customer concentrations, customer creditworthiness, current economic and accounts receivable aging trends, and changes in customer payment terms. Valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectability of accounts receivable becomes available. Provisions are recorded in general and administrative expenses.

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2023 and 2022

**Revenue Recognition**

The Company recognizes revenue in accordance with ASC No. 606 "Revenue from Contracts with Customers". As such, the Company identifies a contract with a customer, identifies the performance obligation in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

Master franchise grants a conditional license to use and to franchise others to use the Company's operating system and marks in operations of stores within the geographic franchised area. Master franchise fees include fees billed in installments and area franchise fees. Installment revenue is recognized over the period of the agreement. The area franchise fee is to grant the right to open franchised stores, usually with a minimum number but not limited total number of franchise shops set in the agreement, in future periods in specific geographic areas. The area franchise fee is billed based on the number of stores open. The Company recognizes related revenue according to the number of stores opened based on the terms of the agreement.

Royalty fees are billed based on a percentage of franchise store sales revenue and are recognized on a monthly basis.

**Income Taxes**

The Company has elected to be taxed as a corporation for federal and state income tax purposes and accounts for its income taxes using an asset and liability approach for financial reporting of income taxes. Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities and net operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance to the amounts expected to be realized.

The Company files a U.S. federal income tax return, as well as state and local income tax returns where required to do so. The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all jurisdictions (federal, state, and local) where it is required to file income tax returns. This analysis has been applied to all open tax years in each of those jurisdictions.

The Company believes that its income tax filing positions and deductions will be sustained through an audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2023 and 2022

over the next twelve months.

The Company's policy for recording interest and penalties associated with any uncertain tax positions is to record such items as a component of income before taxes. Penalties and interest paid or received, if any, are recorded as part of other operating expenses in the statement of operations.

Fair Value Measurements

The carrying value of cash and cash equivalents, accounts receivable, prepaid income tax, other payable - related party, deferred revenue, and accrued expenses approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2023, and 2022.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in the bank may at times exceed the amount insured by FDIC for the Company. As of December 31, 2023, and 2022, the Company has a cash account held in a bank with a balance of \$29,305 and \$0, respectively, which is not insured by the FDIC.

Subsequent Events

The Company has evaluated events and transactions for subsequent events through January 31, 2024, the date on which these financial statements were available to be issued.

**Note 3 - Accounts Receivable**

As of December 31, 2023, and 2022, accounts receivable balances were as follows:

	December 31,	
	2023	2022
Accounts receivable	\$ 3,830	\$ 3,471
Less: allowance for doubtful accounts	-	-
	<u>\$ 3,830</u>	<u>\$ 3,471</u>

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2023 and 2022

**Note 4 - Revenue**

A summary of revenue for the years ended December 31, 2023, and 2022 consisted of the following:

	2023	2022
Master franchise - area franchise	\$ 10,000	\$ 120,000
Master franchise - installments	-	5,833
Royalty	107,369	75,759
Revenue discount	-	(10,833)
	<u>\$ 117,369</u>	<u>\$ 190,759</u>

Contract assets include amounts related to the Company's contractual right to consideration for completed performance obligations not yet invoiced. Contract liabilities include payments received in advance of performance under the contract and are realized when the associated revenue is recognized under the contract. As of December 31, 2023, and 2022, the Company had no contract assets and \$42,000 of contract liabilities, which were recorded as deferred revenue for both years.

**Note 5 - Income Taxes**

Income tax expense for the years ended December 31, 2023, and 2022 consisted of the following:

	2023	2022
Current:		
Federal	\$ 205	\$ -
State	825	825
	<u>1,030</u>	<u>825</u>
Deferred:		
Federal	-	-
State	-	-
	<u>-</u>	<u>-</u>
Income tax expense	<u>\$ 1,030</u>	<u>\$ 825</u>



**PRESOTEA (USA) CO., LTD.**

Notes to Financial Statements

December 31, 2023 and 2022

Deferred income tax assets on December 31, 2023, and 2022 were as follows:

	December 31,	
	2023	2022
Deferred income tax assets		
Net operating loss carryforwards	\$ 118,426	\$ 93,411
Accrued expenses	11,093	2,179
State taxes	173	173
Deferred income tax assets valuation allowance	(129,692)	(95,763)
Deferred income tax assets, net	\$ -	\$ -

As of December 31, 2023, and 2022, the Company had available net operating loss carryforwards for federal income tax purposes of \$446,741 and \$267,330, respectively. These losses can be carried forward indefinitely.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit the use of the existing deferred income tax assets. A significant piece of objectively negative evidence evaluated was the cumulative deficit over the three-year period ended December 31, 2023. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of December 31, 2023, and 2022, a full valuation allowance of \$129,692 and \$95,763, respectively, has been recorded to recognize the deferred income tax asset that is more likely than not to be realized. The amount of the deferred income tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period is reduced or increased or if objectively negative evidence in the form of cumulative deficit is no longer present and additional weight is given to subjective evidence such as our projections for growth.

**Note 6 - Related Party Transactions**

**A. Name of related party and relationship**

Name of Related Party	Relationship with the Company
Presotea Co., Ltd.	Parent Company

The Company has extensive transactions with its parent company. It is possible that the terms of these transactions are not the same as those which would result from transactions among wholly unrelated parties.

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2023 and 2022

**B. Significant Related Party Transactions**

a. For the years ended December 31, 2023, and 2022:

	2023	2022
Franchise costs	\$ 1,000	\$ 11,500
Royalty costs	10,737	7,576
Management fee	20,367	59,549
Expenses paid by the Parent Company	71,770	67,224
Total	<u>\$ 103,874</u>	<u>\$ 145,849</u>

b. As of December 31, 2023, and 2022:

	December 31, 2023	2022
Other payable - related party	<u>\$ 32,475</u>	<u>\$ 127,538</u>

**Note 7 - Major Customer**

The Company has two major customers, each of which represents 10% or more of the Company's revenue for the years ended December 31, 2023, and 2022. Revenue from and accounts receivable from these customers for the years ended and as of December 31, 2023, and 2022, are as follows:

A. As of and for the year ended December 31, 2023:

Customer	Revenue	Accounts Receivable
A	\$ 31,227	\$ 1,968
B	86,142	1,862
Total	<u>\$ 117,369</u>	<u>\$ 3,830</u>

B. As of and for the year ended December 31, 2022:

Customer	Revenue	Accounts Receivable
A	\$ 69,961	\$ 2,038
B	120,798	1,433
Total	<u>\$ 190,759</u>	<u>\$ 3,471</u>

February 15, 2023

**Mr. Sam Kuo**  
**PRESOTEA (USA) CO., LTD.**  
No. 3, Fuxing St., Tucheng Dist.  
New Taipei City 236, Taiwan (R.O.C.)

Dear Mr. Kuo:

We are enclosing three copies of the audited financial statements of **PRESOTEA (USA) CO., LTD.** as of and for the year ended December 31, 2022. Please feel free to call us if you should have any questions.

Very truly yours,

Enclosure -  
as stated

**PRESOTEA (USA) CO., LTD.**  
Independent Auditors' Report  
and Financial Statements  
December 31, 2022 and 2021

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**JTC ACCOUNTANCY CORP**  
CERTIFIED PUBLIC ACCOUNTANTS  
4989 Santa Anita Avenue, Temple City, CA 91780  
Tel: (626) 279-1289 Fax: (626) 279-1878

**Independent Auditors' Report**

Board of Director and Stockholder  
**Presotea (USA) Co., Ltd.**

**Opinion**

We have audited the accompanying financial statements of **Presotea (USA) Co., Ltd.** (a State of Delaware corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of **Presotea (USA) Co., Ltd** as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Presotea (USA) Co., Ltd.** 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Presotea (USA) Co., Ltd.**'s ability to continue as a going concern within one year after the date that the financial statements are issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Presotea (USA) Co., Ltd.**'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 **Presotea (USA) Co., Ltd.**'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*JTC Accountancy Corp.*

Temple City, California  
February 15, 2023

**PRESOTEA (USA) CO., LTD.**  
Balance Sheets  
December 31, 2022 and 2021

<u>ASSETS</u>			2022	2021
Current Assets				
Cash and cash equivalents	\$	194,094		203,184
Accounts receivable		3,471		-
Prepaid income tax		7,000		7,000
Total Current Assets			204,565	210,184
Deferred income tax assets, net			-	-
Total Assets	\$	204,565		210,184
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>				
Current Liabilities				
Other payable - related party	\$	127,538		144,109
Deferred revenue		-		7,000
Accrued expenses		50,500		54,000
Total Current Liabilities			178,038	205,109
Total Liabilities			178,038	205,109
Stockholder's Equity				
Common stock, no par value; authorized 1,000 shares			400,000	400,000
issued and outstanding 1,000 shares			(373,473)	(394,925)
Accumulated deficit				
Total Stockholder's Equity			26,527	5,075
Total Liabilities and Stockholder's Equity	\$	204,565		210,184

The accompanying notes are an integral  
part of these financial statements



**PRESOTEA (USA) CO., LTD.**  
**Statements of Operations**  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue	\$ 190,759	176,877
Cost of Revenue	<u>19,076</u>	<u>17,687</u>
Gross Profit	171,683	159,190
Operating Expenses	<u>149,406</u>	<u>320,581</u>
Income (Loss) from Operations	<u>22,277</u>	<u>(161,391)</u>
Income (Loss) Before Income Taxes	22,277	(161,391)
Income Tax Expense	<u>(825)</u>	<u>(45,147)</u>
Net Income (Loss)	<u>\$ 21,452</u>	<u>(206,538)</u>

The accompanying notes are an integral  
part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
 Statements of Changes in Stockholder's Equity  
 For the Years Ended December 31, 2022 and 2021

	Common Stock		Accumulated Deficit	Total Equity
	Shares Issued	Amount		
Balance, January 1, 2021	1,000	\$ 200,000	\$ (188,387)	\$ 11,613
Capital injection		200,000		200,000
Net loss			(206,538)	(206,538)
Balance at January 1, 2022	1,000	400,000	(394,925)	5,075
Net Income	-	-	21,452	21,452
Balance at December 31, 2022	1,000	\$ 400,000	\$ (373,473)	\$ 26,527

The accompanying notes are an integral  
part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Net income (loss)	\$ 21,452	(206,538)
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Deferred income taxes	-	44,322
Changes in operating assets and liabilities:		
Accounts receivable	(3,471)	232,000
Other payable - related party	(16,571)	(185,207)
Deferred revenue	(7,000)	(130,417)
Accrued expenses	(3,500)	41,500
Net Cash Used for Operating Activities	(9,090)	(204,340)
Cash Flows from Financing Activity		
Capital injection	-	200,000
Net Cash Provided by Financing Activity	-	200,000
Net Decrease in Cash and Cash Equivalents	(9,090)	(4,340)
Cash and Cash Equivalents, Beginning of Year	203,184	207,524
Cash and Cash Equivalents, End of Year	194,094	203,184
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for:		
Income taxes	\$ 825	825

The accompanying notes are an integral  
part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2022 and 2021

**Note 1 - Organization and Business**

Presotea (USA) Co., Ltd. (the "Company") was established as a corporation in the State of Delaware on August 24, 2018. It is a wholly owned subsidiary of Presotea Co., Ltd., a Taiwan incorporated company. The Company is in the business of franchises of PRESOTEA, a branding of consumer tea beverage products. The Company sublicenses from Presotea Co., Ltd., of the PRESOTEA brand, its franchise and operating system in the United States.

As of December 31, 2022, the Company's equity was only \$26,527. To the extent necessary, the Company's parent company, Presotea Co., Ltd., will provide financial support to the Company to ensure that it is able to meet its obligations and carry on its business without significant curtailment of operations.

**Note 2 - Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompany notes. Actual results may differ from those estimates and assumptions.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value.

Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Assessing the collectability of customer receivables requires management judgment. The Company determines its allowance for doubtful accounts by specifically

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2022 and 2021

analyzing individual accounts receivable, historical bad debts, customer concentrations, customer creditworthiness, current economic and accounts receivable aging trends, and changes in customer payment terms. Valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectability of accounts receivable becomes available. Provisions are recorded in general and administrative expenses.

Revenue Recognition

The Company recognizes revenue in accordance with ASC No. 606 "Revenue from Contracts with Customers". As such, the Company identifies a contract with a customer, identifies the performance obligation in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

Master franchise grants a conditional license to use and to franchise others to use the Company's operating system and marks in operations of stores within the geographic franchised area. Master franchise fee includes fees billed on installments and area franchise fee. Installment revenue is recognized over the period of agreement. Area franchise fee is to grant the right to open franchised stores, usually with minimum number but not limited total number of franchise shop set in the agreement, in future periods in specific geographic areas. Area franchise fee is billed based on the number of stores open. The Company recognizes related revenue according to the number of stores opened based on the term of the agreement.

Royalty fees are billed based on a percentage of franchise store sales revenue and are recognized monthly basis.

Income Taxes

The Company has elected to be taxed as a corporation for federal and state income tax purposes and accounts for its income taxes using an asset and liability approach for financial reporting of income taxes. Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities and net operating loss and tax credit carryforwards. Deferred tax assets are reduced by valuation allowance to the amounts expected to be realized.

The Company files a U.S. federal income tax return, as well as state and local income tax returns where required to do so. The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all jurisdictions (federal, state and local) where it is required to file income tax

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2022 and 2021

returns. This analysis has been applied to all open tax year in each of those jurisdictions.

The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

The Company's policy for recording interest and penalties associated with any uncertain tax positions is to record such items as a component of income before taxes. Penalties and interest paid or received, if any, are recorded as part of other operating expenses in the statement of operations.

Fair Value Measurements

The carrying value of cash and cash equivalents, accounts receivable, prepaid expenses, other payable – related party, deferred revenue, and accrued expenses approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2022 and 2021.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by FDIC for the Company. The Company has cash account held in bank for which the balance is not insured by FDIC as of December 31, 2022 and 2021 both amounted to approximately \$0.

Recent Accounting Pronouncements

Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which introduces new guidance for the accounting for credit losses on financial instruments within its scope and modifies the impairment model for available-for-sale debt securities. In addition, credit losses on available-for-sale debt securities will be limited to the difference between the security's amortized cost basis and its fair value. For all entities other than public business entities, the guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is evaluating the impact of adopting this guidance.



**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2022 and 2021

Subsequent Events

The Company has evaluated events and transactions for subsequent events through February 15, 2023, the date on which these financial statements were available to be issued.

**Note 3 - Accounts Receivable**

As of December 31, 2022 and 2021, accounts receivable balance were as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 3,471	\$ 115,306
Less: allowance for doubtful accounts	-	(115,306)
	<u>\$ 3,471</u>	<u>-</u>

**Note 4 - Revenue**

A summary of revenue for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Master franchise - area franchise	\$ 120,000	\$ 70,000
Master franchise - instalments	5,833	217,916
Royalty	75,759	62,155
Revenue discount	<u>(10,833)</u>	<u>(173,194)</u>
	<u>\$ 190,759</u>	<u>\$ 176,877</u>

Contract assets include amounts related to the Company's contractual right to consideration for completed performance obligations not yet invoiced. Contract liabilities include payments received in advance of performance under the contract and are realized when the associated revenue is recognized under the contract. As of December 31, 2022 and 2021, the Company had nil of contract assets, and \$0 and \$7,000, respectively, of contract liabilities which were recorded as deferred revenue.

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2022 and 2021

**Note 5 - Income Taxes**

Income tax expense for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Current:		
Federal	\$ -	\$ -
State	<u>825</u>	<u>825</u>
	<u>825</u>	<u>825</u>
Deferred:		
Federal	-	44,322
State	<u>-</u>	<u>-</u>
	<u>-</u>	<u>44,322</u>
Income tax expense	<u>\$ 825</u>	<u>\$ 45,147</u>

Deferred income tax assets on December 31, 2022 and 2021 are as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Deferred income tax assets		
Net operating loss carryforwards	\$ 93,411	\$ 36,631
Allowance for doubtful accounts	-	29,553
Accrued expenses	2,179	3,588
State taxes	173	173
Deferred income tax assets valuation allowance	<u>(95,763)</u>	<u>(69,945)</u>
Deferred income tax assets, net	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2022 and 2021, the Company's available net operating loss carrying forward to federal income tax purpose were \$267,330, and \$82,356, respectively. The loss can be carried forward indefinitely.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred income tax assets. A significant piece of objective negative evidence evaluated was the cumulative deficit over the three-year period ended December 31, 2022. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of December 31, 2022 and 2021, a full valuation allowance of \$95,763 and \$69,945, respectively, has been recorded to recognize the deferred income tax asset that is more likely than not to be realized. The amount of the deferred income tax asset considered realizable, however, could be adjusted if



**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2022 and 2021

estimates of future taxable income during the carryforward period is reduced or increased or if objective negative evidence in the form of cumulative deficit is no longer present and additional weight is given to subjective evidence such as our projections for growth.

**Note 6 - Related Party Transactions**

A. Name of related party and relationship

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Presotea Co., Ltd.	Parent Company

The Company has extensive transactions with its parent company. It is possible that the terms of these transactions are not the same as those which would result from transactions among wholly unrelated parties.

B. Significant Related Party Transactions

a. For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Franchise costs	\$ 11,500	\$ 11,472
Royalty costs	7,576	6,215
Management fee	59,549	95,235
Total	<u>\$ 78,625</u>	<u>\$ 112,922</u>

b. As of December 31, 2022 and 2021

	<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>
Other payables	<u>\$ 127,538</u>	<u>\$ 144,109</u>

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2022 and 2021

**Note 7 - Major Customer**

The Company has two major customers, each of which represents 10% or more of the Company's revenue for the years ended December 31, 2022 and 2021. Revenue from and accounts receivable from these customers for the years ended and as of December 31, 2022 and 2021, are as follows:

A. As of and for the year ended December 31, 2022:

<u>Customer</u>	<u>Revenue</u>	<u>Accounts Receivable</u>
A	\$ 69,961	\$ 2,038
B	120,798	1,433
Total	<u>\$ 190,759</u>	<u>\$ 3,471</u>

B. As of and for the year ended December 31, 2021:

<u>Customer</u>	<u>Revenue</u>	<u>Accounts Receivable</u>
B	\$ 113,584	\$ -
C	62,122	115,306
Total	<u>\$ 175,706</u>	<u>\$ 115,306</u>

**ATTACHMENT B**

**FRANCHISE AGREEMENT**

**PRESOTEA**



**Franchise Agreement**

- Article 1 –License
  - 1.01 Grant Of License
  - 1.02 Locations And Territory
  - 1.03 Presotea Shop
  - 1.04 System And Marks
  - 1.05 Manual
- Article 2 –Fees
  - 2.01 Initial Franchise Fee
  - 2.02 Royalties
  - 2.03 Regional Advertising Fee
  - 2.04 Management Assistance
  - 2.05 Gross Revenues
  - 2.06 Local Marketing
  - 2.07 Grand Opening
  - 2.08 Rebates, Discounts and Allowances
- Article 3 - Reports And Audits
  - 3.01 Records And Reports
  - 3.02 Failure to Report
  - 3.03 Audits And Inspections
  - 3.04 Contact With Others
- Article 4 - Training
  - 4.01 Initial Training
  - 4.02 Subsequent Training
  - 4.03 Training Materials
  - 4.04 No Warranty of Success
- Article 5 - Proprietary Information-Confidentiality
- Article 6 - Pre-Opening Obligations
  - 6.01 Location And Lease
  - 6.02 Specifications
  - 6.03 Construction Of Presotea Shop
  - 6.04 Required Equipment
  - 6.05 Branded Items Opening Package
- Article 7 - Operation Of Presotea Shop
  - 7.01 Independent Contractor
  - 7.02 Personal Participation
  - 7.03 Retail Prices
  - 7.04 Compliance With Laws
  - 7.05 Franchisee Business Operation
  - 7.06 Restrictions On Sources Of Products And Services
  - 7.07 Minimum Hours
  - 7.08 Signs
  - 7.09 Computer System
  - 7.10 Communications Equipment and Systems
  - 7.11 Equipment Maintenance
  - 7.12 Warranties
  - 7.13 Marketing
  - 7.14 New Developments
  - 7.15 Staffing
- Article 8 - Indemnity And Insurance
  - 8.01 Indemnity
  - 8.02 Insurance
- Article 9 - Renewal
  - 9.01 Conditions Of Renewal
- Article 10 - Continuation

Article 11 - Entity Franchisee	
11.01 Entity Definition	
11.02 Founding Document Restriction	
11.03 Liability Of Owner(s)	
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11.05 Additional Requirements Of Entity Franchisee	
Article 12 - Transfer	
12.01 Prior Consent	
12.02 Conditions Of Transfer	
12.03 Franchisor's Right of First Refusal	
12.04 Transfer To An Entity	
12.05 Approval Process	
12.06 Transfer By Franchisor	
12.07 No Sublicensing	
Article 13 - Death Or Incapacity	
13.01 Alternatives Upon Death Or Incapacity	
13.02 Effect Of Failure To Comply	
13.03 Incapacity Defined	
Article 14 - Successors And Assigns	
Article 15 - Termination	
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Article 17 - Effect Of Termination	
17.01 Loss Of Rights	
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Article 18 - Arbitration of Disputes	
18.01 Agreement to Arbitrate	
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Article 19 - Representations Of Franchisee	
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Article 20 - Miscellaneous Provisions	
20.01 Non-waiver	
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20.06 Paragraph Headings	
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20.09 Choice Of Law	
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20.12 Modification	
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Article 21 - Business Risk	

## **EXHIBITS**

- A. Location of **Presotea Shop**
- B. Territory
- C. Required Equipment
- D. Inventory and Supplies
- E. Lease Conditional Assignment Agreement
- F. Assignment of Telephone Numbers
- G. Guarantee
- H. Bank Authorization
- I. Confidentiality Agreement (For Franchisee's Employees)

**PRESOTEA**

**Franchise Agreement (“this Agreement”)**

Franchise Agreement No.: \_\_\_\_\_

DATED: \_\_\_\_\_ (“Effective Date”)

BETWEEN: **MSY MANAGEMENT, INC.** (“Franchisor”)

AND:

\_\_\_\_\_ (“Franchisee”)

\_\_\_\_\_

\_\_\_\_\_



## RECITALS

WHEREAS, Franchisor is a Master Franchisee, under a Master Franchise Agreement to license and franchise **Presotea** shops in SOUTHERN CALIFORNIA. We are located at 170 E. Yorba Linda Rd., #1035, Placentia, CA 92870. Our Franchisor is Presotea (USA) Co., LTD., ("Presotea USA"). The Presotea concept was originally created in Taiwan in 2006 by Presotea USA's affiliate Presotea Co., Ltd. (hereafter "Presotea Taiwan") and

WHEREAS, **Presotea Taiwan** owns the trade name "**Presotea**" and the following trademarked logo:



and has licensed the right to use the trademark to Presotea USA, who has in turn licensed the trademark to Franchisor, along with the rights to further license the trademark and logo, and any other logos, marks and trade dress now or in the future, ("Marks") to franchisees pursuant to a franchise agreement; and

WHEREAS, Franchisor and its affiliate have developed a unique system for identifying, operating and marketing businesses offering and selling **Presotea Shops** operating under the Marks and using the System (hereinafter the "System"); and

WHEREAS, Franchisee recognizes the advantages and value of the System and Marks and desires to obtain a license for a **Presotea Shop** franchised business (hereinafter referred to as "**Presotea Shop**"); and

WHEREAS, Franchisee recognizes the necessity and value of maintaining high standards and uniformity of appearance, image, products, services and customer relations in conformity with the System as Franchisor may reasonably modify it from time to time;

WHEREAS Franchisee is aware of the risks, business and otherwise, associated with owning a **Presotea Shop** and has independently evaluated those risks, excepting only those representations and accompanying cautions contained in Franchisor's Franchise Disclosure Document, understanding that actual revenues, profits or probability of success are affected primarily by factors beyond Franchisor's control, including Franchisee's skill, personality, diligence and dedication and general regional or local economic or demographic conditions; and

WHEREAS, Franchisor, in reliance upon Franchisee's representations, is willing to provide certain training and other services and to grant a license, but only on the terms of this Agreement, which terms Franchisee understands and accepts and both parties acknowledge to be reasonable and material.

NOW THEREFORE, for and in consideration of the mutual covenants herein set forth, and other good and valuable consideration, the receipt and sufficiency of which each party hereby acknowledges, and each party fully intending to be legally bound hereby, Franchisor and Franchisee mutually agree as follows:

## Article 1 –License

### 1.01 Grant Of License.

Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee a non-exclusive License, whereby Franchisee will develop, own and operate one single **Presotea Shop** using the System and Marks for a 6-year term, beginning from and after the Effective Date of this Agreement.

### 1.02 Location And Territory.

- a. Territory. Franchisee will receive the protected territory as listed on **Exhibit B** hereto (the "Territory"). Franchisee shall develop the **Presotea Shop** to be located within the Territory, and shall not move Franchisee's **Presotea Shop** without Franchisor's prior written approval. Franchisee, based upon Franchisee's own research and knowledge, shall select the location for Franchisor approval, and upon obtaining the approved location, will revise **Exhibit A** accordingly. Franchisor will not locate or open another **Presotea Shop** in the Territory, either company-owned or franchised, during the term of this Agreement, so long as Franchisee is not in breach of this Agreement. There shall be no geographic restrictions upon where customers may come from for Franchisee's **Presotea Shop**. Franchisee shall not distribute or publish advertising or otherwise market outside Franchisee's Territory except in compliance with this Agreement and the operations manual. ("Manual").
- b. Exclusions from Territory. Franchisor specifically reserves the right to sell **Presotea Shop** branded products over the internet and even to customers in Franchisee's Territory without compensation to Franchisee.

### 1.03 Presotea Shop

The term "**Presotea Shop**" means a business in which the Franchisee engages in the business of operating a retail **Presotea Shop** serving specified menu items, using ingredients and recipes as required in the Manual, and includes certain branded non food items for resale. Franchisee will operate under the Marks and using the System (hereinafter the "System"). Franchisor shall have the right to add or delete or change product offerings at any time and Franchisee agrees to comply with such changes. Franchisee will not provide Event Catering, Food Truck or Kiosk services. Nor will Franchisee offer wholesale business, without Franchisor's express consent, which may be denied at its sole discretion.

### 1.04 System And Marks.

- a. Franchisee agrees to operate the **Presotea Shop** only according to the System and only under the Marks pursuant to the Manual. Franchisee acknowledges that Franchisor's affiliate owns all rights to the System and the Marks, except as licensed to Franchisor as referenced above, and Franchisee has only such rights as this Agreement grants. For purposes of this Agreement, the "System" includes the rights and obligations set forth in this Agreement, the Manual furnished to the Franchisee as amended from time to time, Franchisor's name, training, formulas, recipes, methods of operation, reputation, advertising, system and similar benefits pursuant to which the Franchisee operates the **Presotea Shops**. Franchisor's unique trade dress is part of the Marks.
- b. Unless otherwise first approved by Franchisor in writing or unless otherwise required by applicable law, Franchisee agrees to do business only under the name "**Presotea.**" Franchisee shall not use the Marks in any manner not specifically approved by Franchisor, including, without limitation, as part of any domain name or other address on any portion of the internet or any new medium, including as part of any meta tag(s) or similar use. Franchisor may provide Franchisee's **Presotea Shop** on Franchisor's main website **www.presoteaca.com** Franchisee may not create a separate webpage without Franchisor's express consent. Franchisee shall not, without Franchisor's prior written approval, which approval may be withheld for any reason whatsoever, use the Marks or any part of the Marks or anything similar to the Marks as part of a domain name or in any other manner

in connection with any commerce on the Internet or similar media, except as provided in this Agreement and the Manual. Franchisee shall not use the Marks in or market through alternative distribution methods without Franchisor's prior written approval, which approval may be withheld for any reason whatsoever.

c. Franchisee shall immediately notify Franchisor, in writing, if Franchisee learns of any attempt by any person to infringe the Marks or to wrongfully appropriate the System or any part of it. Franchisor may, in its sole discretion, take whatever action it deems appropriate to protect or defend the Marks or System but is not obligated to take any action whatsoever. Franchisee agrees to fully cooperate with Franchisor in any action anticipated by or taken by or on behalf of Franchisor. Franchisee understands that it may become necessary, in Franchisor's sole discretion, to change, totally or in part, the Marks, as a result of litigation or otherwise. In that event, Franchisee agrees to immediately adopt the new or revised Marks, and Franchisor's maximum liability, including for any purported goodwill, shall be to reimburse Franchisee the actual out-of-pocket costs of changing the principal signs identifying the Premises, but only if such change is necessitated through a trademark infringement action as a result of Franchisor's and Franchisee's use of a Mark.

d. Franchisor may change the System or any part of the System at any time, and as changed it shall remain the System pursuant to this Agreement. Franchisor shall own any improvements or changes in the System whether developed by Franchisor, by Franchisee or by other franchisee(s) and shall have the right to adopt and perfect such improvements or changes without compensation to Franchisee or other franchisees. If Franchisor modifies the System, Franchisee shall, at Franchisee's own expense except to the extent specifically provided in this Agreement, adopt and use such modification(s) as if it were part of the System at the time of execution of this Agreement. Franchisor will provide periodic consultation and advice concerning the operation of the **Presotea Shop** and to generally be of assistance.

e. Franchisee agrees to operate no other business whatsoever, including coin-operated devices, in or about the **Presotea Shop** or otherwise in connection with the System or Marks without first obtaining Franchisor's written approval; provided that, Franchisee may provide any service(s) or product(s) permitted according to the Manual. Franchisee acknowledges that Franchisor owns, in connection with the Marks, all goodwill associated with or to become associated with the telephone numbers and telephone listings and agrees to execute an Assignment of Telephone Numbers in the form of **Exhibit F**, attached.

#### 1.05 Manual.

Franchisor agrees to loan to Franchisee during the term of this Agreement one or more operations Manuals, together with such updates and modifications as Franchisor may from time to time provide to Franchisee, including current menu items and recipes, certain approved branded products for sale, and may suggest pricing guidelines. Franchisor may make any changes or modifications in the Manual as in Franchisor's sole judgment are desirable. Franchisee agrees that if there should, at any time, be a discrepancy between the terms of Franchisee's copy of the Manual and the master copy maintained in Franchisor's offices, the terms of the master copy shall prevail. Franchisee agrees, at all times, to conform to the Manual in all respects including to obtain any equipment, fixtures, personnel or technology necessary to do so, and from Franchisor's approved vendors. The Manual is and shall at all times remain the property of Franchisor and shall be returned to Franchisor upon expiration, termination or nonrenewal of this Agreement for any reason. Franchisee agrees not to make it available to or permit another to make any copies of the Manual or any portion thereof without Franchisor's prior written consent.

## Article 2 - Fees

### 2.01 Initial Franchise Fee

**The Initial Franchise Fee for the Franchise granted hereunder is Fifty Thousand Dollars (\$50,000.00) payable upon signing of this Agreement by Franchisee (subject to any state limitations indicated in the State Addendum).**

### 2.02 Royalties.

Franchisee shall pay to Franchisor a monthly royalty in an amount equal to 5% of Gross Revenues of Franchisee's **Presotea Shop**, without setoff. The royalties are payable monthly by Electronic Funds Transfer. Funds must be in Franchisee's designated bank account in time so that Franchisor can obtain them on or before close of business on the 10<sup>th</sup> day of the following the month, on which the Royalties are based. Franchisor may, upon thirty (30) days prior written Notice require Franchisee to pay Royalties by check, pre-authorized check, electronic funds transfer or other mechanism or to pay on a different periodic basis.

### 2.03 Regional Marketing Fee.

a. Franchisee shall pay to Franchisor a monthly Regional Marketing fee ("Marketing Fee") in the amount equal to 2% of Gross Revenues of Franchisee's **Presotea Shop**, without setoff. Franchisor may reduce or discontinue the Marketing Fee at any time and may, thereafter, reinstate it upon a new thirty (30) day Notice.

b. Franchisor may, in Franchisor's sole discretion, upon at least sixty (60) days prior written notice increase the Regional Marketing Fee.

c. Franchisor shall maintain all Regional Marketing Fees collected, in one or more bank accounts separate from Franchisor's regular account(s). Franchisee authorizes Franchisor to commingle Franchisee's Marketing Fees with those paid by other Franchisees. Franchisor will provide an unaudited annual accounting to Franchisee upon request as to the aggregate amount of such Regional Marketing Fees collected and their use and application by general category. Franchisee acknowledges and agrees that each such accounting is a Trade Secret and shall be treated as such according to this Agreement.

d. Franchisor shall use the Regional Marketing Fees collected, for website maintenance, for advertising, marketing and promotion for the benefit of Franchisor's System as a whole, and not toward any geographic area specifically or in proportion to funds received. Selection of marketing, advertising and promotion location, scope, content, copy, timing and approach shall be by Franchisor and in Franchisor's sole discretion, including market research, production and administration of the advertising program. Not every element of the marketing and promotion program will directly benefit any specific franchisee or in proportion to their contribution.

e. Franchisor shall have no duty to conduct any particular marketing program and if Franchisor does conduct a program, Franchisor makes no representations or warranties regarding the nature of the marketing to be conducted or about how it will affect Franchisee's revenue.

f. Franchisor may use such funds to maintain the website: **www.presoteaca.com**. Franchisee is not permitted to have a separate website shall not separately promote Franchisee's **Presotea Shop** through any independent website, or social media; Franchisee shall not sell any products or services online, or otherwise through any internet or electronic of social media medium, without Franchisee's consent. Franchisee may request Franchisor's consent to promote onto social media consistent with Franchisor's Social Media policy.

#### 2.04 Management Assistance.

In the event Franchisee requests Franchisor to provide extraordinary management or support services at Franchisee's location, Franchisee shall pay for all such additional support at \$300 per day.

#### 2.05 Gross Revenues.

The term "Gross Revenues" shall mean the full the price of all goods and services sold by Franchisee from or relating to the **Presotea Shop**, whether or not Franchisee has received cash or other consideration, and regardless of where the sale took place. The only items not included in Gross Revenues is taxes or fees Franchisee is required to collect on behalf of the government and which Franchisee actually remits. Gross Revenues are calculated at the time Franchisee sells the goods or services, without regard to when the Franchisee receives or expects to receive cash or other consideration therefore.

#### 2.06 Local Marketing.

Franchisee shall spend, on a monthly basis, not less than 5% of Gross Revenues on local and cooperative marketing. Local and cooperative marketing expenditures shall be in addition to the Regional Advertising Fees. In addition to complying with any specific marketing requirements of Franchisor, Franchisee shall place and pay for such other marketing as Franchisee deems necessary and appropriate. Franchisee may create its own ads providing they comply with Franchisor's guidelines and Franchisee obtains Franchisor's prior approval. Franchisee shall be responsible to assure that all marketing so placed complies with the Manual and serves to enhance and not detract from or harm the Marks and the goodwill attached and to become attached thereto. Franchisee shall promptly send to Franchisor copies of all marketing copy and media to be used for Franchisor's approval. In the event Franchisor deems any advertisement or marketing technique to be not in compliance with this paragraph, Franchisee shall, immediately upon receipt of a written Notice from Franchisor, refrain from using the subject advertisement or marketing technique and shall thereafter fully comply with this paragraph. If Franchisor does not give its approval within ten (10) days of receipt of the proposed advertisement, then NO approval is deemed given. Franchisor may, from time to time, in its discretion have creative pieces available for purchase by Franchisee.

#### 2.07 Grand Opening.

Franchisee must conduct a Grand Opening consistent with Franchisor's guidelines. Franchisor will assist Franchisee with the promotional and marketing for the grand opening including social media. The costs will range from approximately \$4,600-\$5,750 depending on the location size and Franchisor guidelines.

#### 2.08 Rebates, Discounts and Allowances.

Franchisee authorizes Franchisor to collect all available rebates, discounts and allowances from vendors or others with whom Franchisee does business, provided that, in Franchisor's reasonable business judgment, it is appropriate to collect them. Franchisor may use such funds in its discretion.

### Article 3 - Reports And Audits

#### 3.01 Records And Reports.

Franchisee shall keep such complete records of the **Presotea Shop** as a prudent and careful businessperson would normally keep. Franchisee shall keep its financial books and records as Franchisor may from time to time direct in the Manual or otherwise, including retention of all invoices, order forms, payroll records, cash register tapes, check records, bank deposit receipts, sales tax

records and returns, cash disbursements journals and general ledgers. Franchisee shall advise Franchisor of the location of all original documents and shall not destroy any records without Franchisor's prior written consent. Franchisee will transit accurate records relating to the **Presotea Shop**, including each business transaction and point-of-sale tapes and records, in the form, time and manner Franchisor prescribes (including both paper copy and electronic records accessible by Franchisor).

Franchisee must prepare all financial reports in accordance with generally accepted accounting principles, consistently applied, and in a form approved by Franchisor within ten (10) days after each calendar month. Franchisee must use the chart of accounts Franchisor prescribes. Franchisee must periodically deliver to Franchisor accounting, tax and other information (or copies of documents), as Franchisor requests including a monthly financial statement with profit and loss and balance sheet delivered to us within ten (10) days after each calendar month. Franchisee will provide Franchisor with a copy of Franchisee's annual financial statements including a profit and loss statement and a balance sheet. Such annual statements will be prepared in accordance with generally accepted accounting principles, consistently applied, and be delivered to Franchisor within sixty (60) days after Franchisee's fiscal year end.

Upon request by Franchisor, Franchisee shall provide Franchisor with copies of Franchisee's federal income tax return(s) and state and local excise tax returns, if applicable, together with all exhibits and schedules thereto and all amendments thereafter. Franchisor is authorized to rely upon such reports and financial documents and to disclose them to governmental authorities as and if properly requested. Franchisor may use data from the reports and financial documents in composite or statistical form for any purpose in Franchisor's sole discretion. Franchisor is authorized to obtain or verify the information and reports described herein by electronic means from Franchisee's computer(s), at any time, without prior notice, at Franchisor's sole election. Franchisee shall retain all business records for at least five (5) years or such longer period of time as may be required by applicable law

### 3.02 Failure to Report.

If Franchisee fails, for any reason, to timely deliver to Franchisor any required report with all required information, Franchisor is authorized, without further Notice, to assess Royalties for each relevant month and effect an electronic funds or other transfer of such funds calculated as the greater of (a) Franchisee's average monthly royalties over the prior twelve (12) months Franchisee hereby authorizes Franchisee's bank to make such transfers upon Franchisor's request. No action taken under this sub-paragraph shall constitute a cure of any breach by Franchisee, an election of remedies by Franchisor or act, in any way, to limit Franchisee's liability to pay fees under this Agreement.

### 3.03 Audits And Inspections.

Franchisor shall have the right, at any time, to enter the Premises (either physically or electronically) for purposes of auditing the accuracy of reports submitted and to otherwise verify compliance with the terms and conditions of this Agreement, for compliance with System and Marks usage and applicable laws. If Franchisee fails any evaluation, Franchisee will need to institute immediate rectification for anything non-compliant discovered in the audit. Should Franchisee have underreported the amount of Gross Revenues, Franchisee shall immediately pay to Franchisor the additional amount of royalties and other fees payable on account of the underreporting, plus interest thereon at the maximum interest allowed by applicable law. In any case where inspections or audit reveal violations of this Agreement or Manual or other required procedures or violations of law, Franchisee will also the cost of the audit(s) or inspection(s). In addition, Franchisor may include a "mystery shopper" program as part of its evaluation routine, and must comply with any remediation required under such program.

### 3.04 Contact With Others.

Franchisor shall have the right, in Franchisor's sole discretion and without further Notice to Franchisee or to any other person or entity, to contact any of Franchisee's customers, landlord, accountant,

vendors, or other persons within Franchisee's Territory or otherwise for the purpose of verifying the accuracy of any information submitted by Franchisee, for quality assurance or for any other purpose not inconsistent with this Agreement.

## Article 4 - Training

### 4.01 Initial Training Program.

Franchisee and Franchisee's designated manager, if applicable, shall successfully complete Franchisor's initial training program ("Initial Training Program") and pass the training test. The Initial Training Program is for the first 3 people trained at the same time, (additional people may be trained together for no extra training fee, but Franchisee must pay all expenses of all trainees), and will be approximately 120 hours (15 consecutive days). The Initial Training Program will be conducted in Franchisor's training facility in Westminster, California, or such other facility in Southern California as Franchisor designates. Franchisee's trainees will be required to execute a Confidentiality Agreement, before attending training, as part of their employment. Franchisee shall be responsible for all salaries, compensation, benefits, and living and travel expenses of trainees. Franchisor reserves to itself the exclusive right to determine whether Franchisee and other trainees have satisfactorily completed the training program, and passed the training test; and if a trainee does not pass the program or the test, such persons(s) will be required to attend re-training/re-testing for an additional fee, until any such trainee, successfully passes. At all times, Franchisee shall be responsible for all other training of all employees, other than those required to complete Franchisor's Initial Training Program. Should there be no Franchisee representative that successfully passes the training program and training test, after 2 tries, Franchisor may terminate this Agreement and there are no refunds.

### 4.02 Subsequent Training.

Franchisor may require, and Franchisee may request subsequent additional training at a time and location determined in Franchisor's sole discretion. Such additional training will be provided by Franchisor for a fee of \$495 per day. Franchisee shall be solely responsible for all salaries, compensation, benefits, and living and travel expenses of trainees. If Franchisee requests specific additional training on site, Franchisee will pay \$495 per day. If Franchisor requires additional training, such training may not be refused by Franchisee.

### 4.03 Training Materials.

Franchisor may, from time to time, provide or make available to Franchisee training materials for providing training for Franchisee's manager(s) and employees. Franchisor may charge a reasonable fee for such materials. Franchisee agrees that all such materials are Trade Secrets pursuant to this Agreement. Franchisee agrees to require all of its managers and employees, as applicable, to successfully complete any such training program(s) if Franchisor designates them as mandatory.

### 4.04 No Warranty of Success.

Franchisor's determination that Franchisee or Franchisee's employee(s) have successfully completed any training shall not be a warranty or representation that the person can or will successfully operate the **Presotea Shop** or any aspect thereof.

## Article 5 - Proprietary Information-Confidentiality

Franchisee will have access during the course of this Agreement to proprietary information that is the property of Franchisor that is confidential ("Confidential Information"). Confidential Information includes, but is not limited to, the System, the Operations Manual, the **Presotea Shop** layout, design, décor and color schemes, menu items, recipes, and other products for sale, marketing materials, tea industry information, suppliers, vendors, ordering processes, inventory control, pricing guidelines, serving methods and formulas, processes and policies, the training, and other programs, techniques

and policies as may be developed by Franchisor from time to time. Franchisee acknowledges that the trade secrets derive independent economic value from not being generally known to, and not readily ascertainable by proper means by, other persons who could obtain economic value from their disclosure or use. Franchisee agrees to not disclose or in any way make available to any unauthorized person(s) any Confidential Information or any information regarding any Confidential Information or any proprietary information made available to Franchisee by Franchisor. Franchisee shall hold all such information in complete confidence. Franchisee will not disclose any Confidential Information whatsoever to any person(s) not employed by or under contract with Franchisee. Franchisee will disclose Confidential Information only to those employees and agents of Franchisee with a legitimate need to know, each of whom Franchisee warrants will be subject to this Article. Franchisee shall cause every manager and every employee who has access to Confidential Information to sign a **Confidentiality Agreement** as indicated in **Exhibit I** hereof.

## **Article 6 - Pre-Opening Obligations**

### **6.01 Location And Lease.**

Franchisee shall be solely responsible for selecting the location for the **Presotea Shop** that comply with the Manual (hereinafter "the Premises"). Franchisee, within eight (8) months after signing this Agreement, shall open its location, subject to Franchisor's approval. Reasonable extensions are granted if delays are not due to Franchisee. Franchisee shall provide Franchisor a copy of the executed lease with ten (10) days after execution. Franchisor will provide to Franchisee guidelines for selecting a location, and regarding the proposed location. Such information is provided by Franchisor without warranty as to its accuracy or completeness or otherwise. Franchisor has no special expertise in such matters. Franchisee shall not sign a lease, sub-lease or other obligation until after Franchisee has received Franchisor's approval of the location and lease or sub-lease in writing, which approval or disapproval shall be given within twenty (20) business days following Franchisor's receipt from Franchisee of a copy of such information about the proposed Premises as Franchisor may require. Approval of the location or the lease or sub-lease by Franchisor does not constitute a representation or warranty by Franchisor that the location will be successful and does not constitute a legal or other opinion as to any term of the lease or sub-lease. Franchisor may, in Franchisor's discretion, condition approval upon execution of the **Lease Conditional Assignment Agreement by Franchisee and Franchisee's landlord in the form of Exhibit E, attached**. Franchisor may reasonably extend the selection period if Franchisee has made best efforts to select a location and for valid reasons has been unsuccessful. Franchisee's **Presotea Shop** shall operate only from approved location.

### **6.02 Specifications.**

Franchisor will provide Franchisee specifications on the design and operations, layout, tenant improvement guidelines and décor specifications. Franchisor will provide Franchisee with a Build-out-specs manual which must be followed unless a specific variant is requested by Franchisee for Franchisor to approve. The request must be in writing and sufficient detailed descriptions and need for the variant submitted. Franchisee understands and agrees that, although all **Presotea Shops** will follow a consistent theme, the details of their design may differ slightly from location to location, based upon location requirements, landlord requests, and unique features of the community. Franchisee acknowledges that not every **Presotea Shop** will have identical decor, color schemes and layout. Franchisee agrees to accept Franchisor's subjective evaluation as to what would keep the location and **Presotea Shop** in compliance with Franchisor's standards. Franchisee agrees, at Franchisee's sole cost and expense, to maintain the **Presotea Shop**, including, but not limited to equipment, displays, fixtures, and interior and exterior decor in accordance Franchisor's standards upon relocation or renewal of the term of this Agreement. Franchisee is responsible for determining whether or not Franchisor's specifications are limited or restricted by location requirements and to communicate such restrictions to Franchisor, in order to allow modifications, as restrictions require.



In no event will Franchisor be liable to Franchisee for failing to discover location restrictions, nor for any additional costs required to make changes to the specifications necessitated by such restrictions.

Franchisee shall be obligated to update the design of Franchisee's **Presotea Shop** at Franchisee's expense upon renewal or relocation.

#### 6.03 Construction Of **Presotea Shop**.

Franchisee is solely responsible for construction of the **Presotea Shop** in accordance with the specifications, layout design and décor requirements. Franchisor requires that Franchisee's contractor provide proof of license, bond, and insurance required by state prior to starting the project. Contractors in the state of California should have and show Franchisee:

- A valid general contractor license issued by the state of California (CSLB) that will not expire during the project time. If the license is close to its renewal date, then it must be renewed before it expires. Franchisor recommends that the contractor hold a Class A General Engineering license or a Class B General Building license;
- A surety bond of at least \$15,000 as required by the CSLB license as well as an additional contract bond that guarantees both the completion of the job and payment for all labor and materials;
- General liability insurance;
- Workers' compensation insurance; Or proof of exemption in the case that the contractor does not have any employees and are considered exempt;
- As required: any additional insurance such as professional liability and commercial auto insurance.

Contractors and architects are also required to follow the state's regulatory laws, as well as comply to Presotea's building specification standards detailed in your FRANCHISE OPERATIONS MANUAL. Architects must provide a valid license.

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Proof of license, bonds, and insurance must be emailed to Franchisor by emailing Shawn at **presoteacorp@gmail.com**.

Franchisee shall fully supervise all construction and installations of furniture fixture and equipment and décor, and is responsible for making sure its contractor is complying with all standards and specifications and has obtained all applicable permits. Franchisee shall maintain continued updates to Franchisor on status of construction, and readying the **Presotea Shop** for opening. Notwithstanding the above, Franchisor is permitted to inspect and determine from time to time whether or not Franchisee's construction is in compliance with Franchisor's standards, or layout or other display requirements, and to require such changes as is necessary for such compliance (subject to location restrictions), and Franchisee must immediately cause its contractors to so comply. Franchisee must obtain final approval from Franchisor on the final design and specifications, construction of the store before Franchisee is allowed to open the store for business.

#### 6.04 Required Kitchen Equipment, Inventory and Supplies

Franchisee shall acquire install and use, at Franchisee's sole expense the required kitchen equipment, and purchase required inventory and supplies. **The current list of required equipment is contained in Exhibit C or further detailed in the Manual, and the required inventory and supplies are listed in Exhibit D hereto.** Franchisee understands that the specific list of required equipment, inventory and supplies may be different for Franchisee's **Presotea Shop** than for other franchisees or company-owned **Presotea Shop** on account of differences in the locations, lease terms, demographics or otherwise and that Franchisor shall have the right to modify the list of required equipment, inventory and supplies in the Manual or otherwise in writing. All required equipment shall meet or exceed Franchisor's specifications. Franchisee shall purchase the required equipment, inventory and supplies only from Franchisor's approved vendor(s).

## 6.05 Branded Items Opening Package

Prior to opening, Franchisee shall purchase the opening branded items package from Franchisor's approved vendor including branded apparel, aprons, T-shirts, hats, printed items and other accessories. Franchisee shall purchase additional branded items as needed from time to time.

## Article 7 - Operation of Presotea Shop

### 7.01 Independent Contractor.

Each party to this Agreement is and shall remain an independent contractor and shall control the manner and means of operation of its respective business and shall exercise complete control over and responsibility for all labor relations and the conduct of its agents and employees. Neither party shall be considered or held out to be agent(s), joint venturers, partners or employee(s) of the other, except as specifically authorized by this Agreement. Neither party shall negotiate or enter into any agreement or incur any liability in the name of or on behalf of the other unless, and to the extent, specifically authorized by this Agreement. Franchisee shall prominently display signs at all times in the manner specified by Franchisor, indicating the name of the Franchisee and stating that the **Presotea Shop** is independently owned and operated. Franchisee's business forms that bear the Marks shall contain Franchisee's name and a statement that the **Presotea Shop** is independently owned and operated in such form as Franchisor may specify.

### 7.02 Personal Participation.

Throughout the term of this Agreement, Franchisee shall either devote Franchisee's full time and effort to actively managing the **Presotea Shop** or delegate its management to a responsible person. Notwithstanding any delegation of authority hereunder, Franchisee shall reserve and exercise ultimate authority and responsibility with respect to the operation and management of the **Presotea Shop**. If Franchisee employs a manager to run the day to day operations, the manager shall be required to attend and successfully complete Franchisor's training program prior to taking over full day-to-day responsibilities, at Franchisee's sole cost and expense (except for Franchisee's first manager whom Franchisor will train at no additional charge to Franchisee for the training—but Franchisee shall be solely responsible for all travel and living costs of trainees). Franchisee shall devote such time and effort to the **Presotea Shop** as Franchisee determines, but shall reserve and exercise ultimate authority and responsibility with respect to the operation and management of the **Presotea Shop**.

### 7.03 Retail Prices.

Franchisor may recommend prices and pricing strategies for products and services. Franchisee is not obligated to follow such price recommendations and is otherwise solely responsible for establishing Franchisee's own retail prices at such levels as Franchisee deems appropriate, except for limited promotions which Franchisee must follow Franchisor's promotion price requirements.

### 7.04 Compliance With Laws.

Franchisee shall be solely responsible, at Franchisee's sole cost and expense, for obtaining and maintaining all necessary or required permits and licenses in order to operate the **Presotea Shop**. Franchisee is solely responsible for strictly complying with each and every law, ordinance and regulation applicable to the **Presotea Shop**, including, but not limited to, licensing, health, safety, environmental, consumer and labor regulations. Franchisee shall timely pay all applicable taxes as they come due, but may challenge the amount or applicability thereof; provided, that Franchisee hereby agrees to indemnify, hold harmless and defend Franchisor from any and all liabilities for taxes based upon Franchisee's operations.

### 7.05 Franchisee Business Operation.

- a. The System. Franchisee understands and acknowledges that every detail of the System and of the operation of the **Presotea Shop** is important to Franchisee, Franchisor and other **Presotea Shop** franchisees in order to maintain and further develop high and uniform operating standards, to increase the demand for goods and services sold by Franchisor and all franchisees, to enhance the image of Franchisor and the Marks, and to protect Franchisor's reputation and goodwill. Therefore, Franchisee agrees that:
- b. Compliance with Manual. Franchisee shall operate the **Presotea Shop** in conformity with such uniform methods, standards and specifications as Franchisor may prescribe, in the Manual or otherwise, to insure that the highest degree of quality and service is uniformly maintained. Franchisee shall acquire and maintain, at all times, all equipment and inventory required by Franchisor for operation of the **Presotea Shop**. Franchisee shall offer all of the menu items designated by Franchisor and no others. Franchisee shall assure that all telephone calls are answered live in compliance with the Manual.
- c. Image. Franchisee shall, at all times, work to protect and enhance Franchisor's image and, specifically, shall maintain employees or workers in the **Presotea Shop** whose appearance, attire, attitude, reputation and demeanor are consistent with Franchisor's image, which will be detailed in the Manual and Franchisee must implement into their employee rules and standards. Franchisee acknowledges and agrees that Franchisor shall have sole discretion in determining what constitutes Franchisor's image, and further acknowledges that said image is constantly evolving as markets change and evolve. Any new or updated specifications will be promptly communicated from Franchisor to Franchisee and further referenced in Manual updates and Franchisee shall promptly implement any new standards.
- d. Business Dealings. Franchisee shall not, at any time, engage in any business dealings in relation with the **Presotea Shop** which are unethical, dishonest or otherwise could cause harm to the Marks, Franchisor, the goodwill associated with the Marks, or to any customer or vendor of Franchisee, or any other franchisee.
- e. Maintenance. Franchisee shall, at Franchisee's sole cost and expense, maintain the location, inside and out, in the highest degree of sanitation, repair and condition, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including without limitation, such periodic cleaning, repainting, repairs to impaired equipment and replacement of obsolete signs and equipment as Franchisor may reasonably direct. Franchisee shall maintain all landscaping and other outside areas of the premises in an attractive and clean condition.
- f. Refurbishing. Upon Franchisor's request, and within a reasonable time thereafter, Franchisee shall update the **Presotea Shop** at Franchisee's sole expense, to conform to the design, trade dress, color schemes and presentation of the Marks consistent with Franchisor's then-current image, including, without limitation, such internal changes and redecoration and such modifications to existing equipment as may be necessary in Franchisor's sole judgment.
- g. Advisory Committees. Franchisee may participate, at Franchisee's sole expense, in local, regional and national franchisee advisory committees or councils if established or sanctioned by Franchisor.

#### 7.06 Restrictions On Sources Of Products And Services.

- a. Specifications. As to all equipment, fixtures, supplies, menu items, other food items and inventory ("Items") necessary to operate the **Presotea Shop**, except as otherwise specified herein, Franchisee must purchase them from only from Franchisor's approved the vendors. **The current list of Items subject to specifications is included as Exhibits C and D and the Manual.** Franchisor reserves the right to change the list of Items that Franchisee must purchase in accordance with specifications.

b. Items Bearing Marks and Proprietary Items. Franchisee shall purchase only from Franchisor's approved vendor all Items used to start or operate the **Presotea Shop** that contain or bear the Marks or that are proprietary to Franchisor. In addition, Franchisee shall purchase from a supplier approved by Franchisor, all signs used to identify the **Presotea Shop**.

c. Other Suppliers. Franchisor will approve other suppliers of non-proprietary items if Franchisee or the supplier request the approval in writing and if the supplier demonstrates to the satisfaction of Franchisor that it is financially capable and can provide Item(s) or service(s) that meet Franchisor's standards and that it is willing and able to protect Franchisor's proprietary information. Franchisor may charge a reasonable fee to cover its costs in evaluating a proposed supplier. Franchisor will normally make its decision within **30-60 days** after it receives all of the requested information and any requested samples. Franchisor reserves the right to withdraw approval of any supplier whose performance falls below Franchisor's standards.

d. Inventory. Franchisee shall, at all times, maintain a sufficient inventory of menu items, and other approved products for sale so that the **Presotea Shop** can operate at maximum capacity.

e. Training and Other Services. Certain services may be available to Franchisee only through Franchisor or an affiliate, including mandatory training. Franchisee will be required to pay the current price for any of these services, unless otherwise provided in this Agreement.

f. Proprietary Items. Franchisor's recipes for menu items are considered proprietary. ("Proprietary Items") are Items that contain one or more unique characteristics or ingredients which are either not known to the general public or which are subject to protection as intellectual property or trade secrets, and can include packaging, trademarks or containers. Patented or patentable Items are Proprietary Items. Franchisor or its affiliate(s) may develop Proprietary Items. Franchisor or an affiliate will (i) manufacture, supply and sell Proprietary Items to franchisees of Franchisor, and/or (ii) disclose the formulae for and methods of preparation of the Proprietary Items to one or more supplier(s) who will be authorized by Franchisor to manufacture Proprietary Items to Franchisor's precise specifications and sell Proprietary Items to franchisees of Franchisor and/or (iii) license Franchisee to use them pursuant to this Agreement. If required, Franchisee shall purchase and use Proprietary Items from Franchisor or from supplier(s) so authorized by Franchisor. Franchisor or its affiliate(s) may derive revenue and profits from Franchisee's purchases of any Proprietary Items. Franchisor or its Affiliate(s) may distribute Proprietary Items through alternative channels of distribution, including near Franchisee's location. Franchisee may not copy reverse engineer or otherwise duplicate the Proprietary Items for any use and may only use the Proprietary items in connection with the **Presotea Shop**.

g. Proprietary Software. Franchisor does not have proprietary software at this time but reserves the right to create, and implement such software into the system and Franchisee must purchase and implement it.

h. Disclaimer of Warranty and Liability for Designated or Approved Vendors. Franchisor's designation or approval of a required vendor or supplier does not carry any express or implied warranty or guarantee with respect to the specific product or service. Only manufacture and vendor warranties and guarantees will apply, if any, and Franchisor expressly disclaims liability for any defects or negligence in such products or services, or the delivery of the same to Franchisee. Franchisee expressly releases Franchisor from any such liability and waives all claims against Franchisor for any actions of a designated or approved vendor or supplier. Franchisee acknowledges that Franchisor is not responsible in any manner whatsoever for a failure of a designated vendor or supplier to perform, other than to determine whether or not such vendor/supplier should be removed from the designated or approved list.

#### 7.07 Minimum Hours.

Franchisee shall keep the **Presotea Shop** open to the public every day of the year unless otherwise specified by Franchisor or agreed in writing by Franchisor or unless required by law or by a lease

approved pursuant to this Agreement. The normal hours of operation are approximately Monday-Sunday 10am-11:30pm; subject to applicable local regulations on working hours, except for specified holidays in the Manual subject to seasonal adjustments; however, Franchisor, in its sole discretion may, from time to time specify different hours of operation, depending on the area, the traffic and population around the **Presotea Shop** and the landlord requirements. Franchisee may allow private parties in the later hours. The dates and hours of operation may not be the same for all **Presotea Shop** or all franchisees, even in the same general area, because of local conditions. Franchisee and Franchisor shall jointly determine the appropriate hours for the specific location. If Franchisee decides to allow a store to remain closed for at least 2 consecutive days (e.g, to take a vacation), Franchisee must obtain Franchisor's prior written approval.

#### 7.08 Signs.

Franchisee agrees to obtain, install and maintain on the **Presotea Shop** appropriate signs bearing the Marks as specified by Franchisor. Any deviation from the required signage shall be subject to Franchisor's prior written approval (and subject to Landlord and city requirements).

#### 7.09 Computer System.

Franchisee shall purchase and install the Franchisor-required POS system, Merchant Services system and the mobile app, from Franchisor's approved vendors.

#### 7.10 Communications Equipment and Systems.

If required by Franchisor, Franchisee shall purchase and use in the **Presotea Shop** any required communications equipment or systems and service as required by Franchisor and shall update or replace such equipment, systems and service as required. Except as otherwise required or permitted by this Agreement or by applicable law, Franchisee shall use only the communications systems designated by Franchisor in communicating with Franchisor and other franchisees relating to the **Presotea Shop**. Franchisor shall have a proprietary interest in all communications made through any communications systems maintained or provided by Franchisor. Franchisee acknowledges that the provisions of this paragraph 7.10 are reasonable and necessary and beneficial to the **Presotea Shop** franchise system. Franchisee shall monitor and respond to all communications in a timely manner as specified in the Manual.

#### 7.11 Equipment Maintenance.

Franchisee shall be solely responsible, at Franchisee's cost and expense, for maintaining, repairing, and replacing, when appropriate, all equipment required, recommended or permitted pursuant to this Agreement.

#### 7.12 Warranties.

Franchisee shall not represent to any customer or the public that Franchisor provides any warranty as to the quality of any product or service, unless Franchisor has specifically authorized such warranty in writing. If Franchisee offers any warranties, they shall be in writing and shall clearly state, both in the warranty and in any promotional or advertising materials, that the warranty is available and will be honored only by Franchisee. Franchisee hereby indemnifies, holds harmless and agrees to defend Franchisor, its related companies and all other franchisees from any and all claims of whatever nature arising from any such additional warranties made by Franchisee. Franchisee shall participate in and comply with any warranty program that Franchisor may adopt from time to time.

#### 7.13 Marketing.

Franchisee shall, at all times, comply with the Manual in all advertising. Franchisee shall not use television, radio or Internet advertising unless in full compliance with the Manual.

#### 7.14 New Developments.

Franchisor shall be the sole and exclusive owner of all new developments, including inventions, methods, products, ideas, formulas, research results, equipment, and otherwise, that Franchisee

develops or has any role in developing that relate to the **Presotea Shop**. Franchisee shall immediately disclose any and all such new developments to Franchisor and shall execute any documents necessary, in Franchisor's opinion, to consummate the transfer of all ownership rights therein. The mutual covenants of this Agreement are sufficient consideration for such transfers. Franchisor shall not, otherwise, be required to compensate Franchisee for such new developments.

#### 7.15 Staffing

Franchisee shall, endeavor to maintain minimum staffing suggested of not less than one business manager and two **Presotea Shop** employees. Each employee shall, at all times meet or exceed the qualifications set forth in the Manual. Each employee shall be fully trained by Franchisee, or if a manager to successfully complete Franchisor's training program.

### Article 8 - Indemnity And Insurance

#### 8.01 Indemnity.

Franchisee shall defend, hold harmless and indemnify Franchisor, its officers, directors, shareholders, agents, employees, landlords and related companies from any and all losses, claims, damages, liabilities, or expenses of any kind or nature, including fines, penalties, interest, attorneys' fees, and all other types of costs or expenses, arising directly or indirectly from the acts or omissions (whether or not negligent or wrongful) of Franchisee or of any of Franchisee's manager(s), employees or agents in connection with the performance or breach of any obligation under this Agreement, and in connection with the operations of the **Presotea Shop**.

#### 8.02 Insurance.

Franchisee shall purchase and maintain, at Franchisee's expense, throughout the term of this Agreement commercial general liability insurance, including bodily injury, property damage, personal injury, advertising injury, non-owned automobile, loss of business income, and broad form contractual coverage for liability assumed under this Agreement. Such insurance shall be on an occurrence basis and shall consist of combined single limit coverage of at least one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) annual aggregate. Franchisee shall purchase and maintain worker's compensation and employer's liability insurance with a reputable insurer acceptable to Franchisor or with a state agency. If providing optional catering-delivery services, Franchisee must purchase commercial automobile insurance. Franchisee shall provide Franchisor with one or more certificates of insurance evidencing such coverage's and naming Franchisor as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverage's under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least thirty (30) days prior written Notice of such cancellation or modification has been given to Franchisor. Upon request by Franchisor, Franchisee shall provide Franchisor with a true copy of any insurance policy, including all endorsements. Every insurance policy of Franchisee required by this Agreement shall provide that coverage is primary and non-contributory. Every insurance policy shall be with an insurance company that meets Franchisor's criteria as set forth in the Manual.

### Article 9 - Renewal

#### 9.01 Conditions Of Renewal.

Franchisee will be permitted to renew Franchisee's Franchise Agreement **for an additional 6-year term**, only upon the following terms and conditions:

- a. Franchisee must be current in payment of all fees and charges to Franchisor and any of its related companies and must not have made more than two late payments within the last three years for which Franchisor gave written notice(s) of breach, which Notice(s) were not withdrawn by Franchisor;

- b. Franchisee must not be in material breach of this Agreement or of any other agreement between Franchisor and Franchisee and must have substantially complied with the operating standards and other criteria contained in the Manual or otherwise communicated in writing by Franchisor;
- c. Franchisee shall pay a **renewal fee of Twenty Thousand Dollars (\$20,000.00)**, payable in full upon execution of the franchise agreement referred to below;
- d. Franchisee shall execute the then current form of franchise agreement, which may differ in material ways that are not reasonably foreseeable at this time, but may include material differences in territorial boundaries and economic terms, including the amount of royalties or entirely new categories of fees or mandatory expense;
- e. Franchisee must maintain possession of the locations identified in Exhibit A for the renewal term or obtain substitute premises approved by Franchisor;
- f. Franchisee, at Franchisee's sole cost and expense, shall remodel or refurbish the **Presotea Shop** and otherwise modernize and renovate the **Presotea Shop**, signs and equipment to be consistent with the then current image of the System and to meet Franchisor's then current specifications;
- g. Franchisee shall give written Notice to Franchisor at least twelve months prior to the end of the term of this Agreement of Franchisee's desire to renew; and
- h. Franchisee must not, during the preceding term, have engaged in any business dealings in relation with the **Presotea Shop** or the Franchisee which are unethical, dishonest or otherwise could cause harm to the Marks, Franchisor, any other franchisee, the goodwill associated with the Marks, or to any customer, client or vendor of Franchisee, Franchisor or of another franchisee.
- i. Franchisee shall not have had any material health and safety violations during the prior 12 months, nor any other material violations of this Agreement, although cured.
- j. Franchisee must execute a general release.

## Article 10 - Continuation

If, following the termination or expiration of this Agreement for any reason, whether voluntary or involuntary, Franchisee continues to operate the **Presotea Shop** or occupy the location with or without the express or implied consent of Franchisor, but without a renewal franchise agreement, such continuation shall constitute a month-to-month extension of this Agreement and shall be terminable by either party upon the lesser of (a) thirty (30) days written Notice or (b) such shorter Notice by Franchisor as would otherwise be applicable in a termination for cause. Franchisee acknowledges and agrees that such continuation without a written renewal agreement, shall be good cause for termination of this Agreement. Both parties shall continue to be subject to all terms of this Agreement during any such continuation period.

## Article 11 - Entity Franchisee

### 11.01 Entity Definition.

An "Entity" is any form of business organization except for a sole proprietorship and includes corporations, limited liability companies, limited partnerships and general partnerships and any other form of business organization involving either multiple equity owners or which attempts to provide limited liability.

### 11.02 Founding Document Restriction.

If Franchisee is an Entity or becomes an Entity or if Franchisee transfers Franchisee's interest under this Agreement or any interest in the **Presotea Shop** to an Entity, the founding document(s) of the Entity must provide as follows:

This [insert type of Entity] shall not enter into any agreement or undertaking which would, directly or indirectly, limit any of the rights or obligations of the [insert type of Entity] or of any owner of the [insert type of entity] under the **Presotea** Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_. Any such agreement or undertaking is void.

#### 11.03 Liability Of Owner(s).

Every owner of an equity or other interest in any Entity franchisee (and any individual person who is an owner of an Entity which owns any equity interest in any Entity franchisees) shall personally guaranty this Agreement. Any change in or addition of equity or other owner(s) shall be subject to the Assignment and death and incapacity provisions of this Agreement.

#### 11.04 Restriction On Certificates Of Ownership.

Each and every document, if any, issued by any Entity franchisee evidencing ownership of an equity or other interest in the Entity must provide as follows:

Ownership of this [insert type of Entity] is restricted and cannot be transferred, assigned, sold or encumbered except in strict compliance with the **Presotea** Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_. Any other transfer or attempted transfer is void.

#### 11.05 Additional Requirements Of Entity Franchisee.

Franchisee shall, upon Franchisor's request, provide Franchisor or its designee with true copies of such of Franchisee's Entity records and documents as Franchisor shall designate. An Entity Franchisee shall, at all times, have one individual person who shall be the designated principal who shall have authority to act on behalf of the Entity in all respects under this Agreement. The designated principal shall be the individual who is responsible for assuring compliance by the Entity with all of the terms of this Agreement. Notwithstanding the requirement of a designated principal, Franchisor shall be entitled to rely upon the acts or words of any principal, employee or agent of an Entity Franchisee whom Franchisor understands to be acting or speaking on behalf of the Entity.

### Article 12 – Transfer

#### 12.01 Prior Consent.

Franchisee shall not transfer, sell, sublease, sublicense or encumber (hereinafter collectively referred to as "Transfer") in whole or in part this Agreement, the Franchisee, the majority of assets of the **Presotea Shop** or the leasehold of any of the **Presotea Shop** or represent to any person that such an Transfer has been made without Franchisor's prior written approval. For purposes of this paragraph 12.01, the term "Transfer" shall include any transfer, sale or encumbrance of any shares of stock of a Franchisee that is a corporation, any partnership interest of a Franchisee that is a partnership, any membership interest of a Franchisee that is a limited liability company, and any equity or ownership interest or rights in any other form of entity. Any attempted Transfer without Franchisor's prior written consent shall be void and a breach of this Agreement.

#### 12.02 Conditions Of Transfer.

As preconditions for obtaining Franchisor's consent to any Transfer, the following terms and conditions must be met:

- a. Franchisee must be current in payment of all fees and charges to Franchisor and any of its related companies;



- b. Franchisee must not be in material breach of this Agreement or of any other agreement between Franchisor and Franchisee;
- c. Franchisee must have paid in full all debts in connection with the **Presotea Shop**; or
- d. The transferee must have agreed to assume all of the obligations of the **Presotea Shop**
- e. The transferee must execute a disclosure form containing a waiver and release of any claim against Franchisor for any amount(s) paid to, or representation(s) made by Franchisee or any omission by Franchisee to disclose facts, material or otherwise;
- f. Franchisee must execute, a mutual termination of this Agreement and a general release, and an agreement to defend, hold harmless and indemnify Franchisor from any claim by the Transferee in form specified by Franchisor.
- g. The transferee or Franchisee must pay to Franchisor a Transfer Fee of \$20,000, and transferee execute, the then current form of the Franchise Agreement;
- h. The transferee must successfully complete the then current Initial Training Program at the transferee's sole cost and expense;
- i. The transferee must have met the then current standards of Franchisor for experience, financial strength, reputation and character required of new or renewal Franchisees;
- j. The transferee must obtain such approvals as may be required to assume occupancy and possession and the continuing obligations relating to the lease or possession of the location, unless a new location has been approved in writing by Franchisor; and

#### 12.03 Franchisor's Right of First Refusal.

Franchisee will not make a transfer without first offering the same to Franchisor in writing, which must contain all material terms and conditions of the proposed sale or transfer. Upon receiving such written Notice from Franchisee, Franchisor will give Franchisee written reply within thirty (30) business days which will either waive Franchisor's right of first refusal to purchase, or will state an interest to purchase the business according to the proposed terms. If Franchisor's commence negotiations to purchase business from Franchisee, Franchisee shall not sell the business to a third party unless Franchisee and Franchisor agree in writing that the negotiations have terminated. If Franchisor waives its right to purchase, Franchisor may complete the sale or transfer of the business according to the terms set forth in the written Notice to Franchisor but not upon more favorable terms to the proposed buyer. Any such sale, transfer or assignment to a third party is expressly subject to the provisions of this Agreement. Franchisee's obligations under this Agreement will not be affected or changed because of Franchisor's non-acceptance of Franchisee's written offer. The proposed sale to the third party must be completed within ninety (90) days, and if the terms are changed prior to this time, Franchisor's right of first refusal begins again.

#### 12.04 Transfer To An Entity.

Notwithstanding the foregoing, if Franchisee is an individual, Franchisee may Transfer this Agreement to an Entity, as defined in Article 11, formed or authorized to do business under the laws of the state where the **Presotea Shop** is located, which is wholly owned by Franchisee; provided that the individual Franchisee shall first provide written Notice of the Transfer to Franchisor and shall personally guarantee the performance of this Agreement. If Franchisee is an Entity, Franchisee may Transfer this Agreement to another Entity, formed or authorized to do business under the laws of the state where the **Presotea Shop** is located, of the same or different form, which has exactly the same ownership, including percentages of ownership as Franchisee; provided that each of the individual equity or other owners of the new Entity shall personally guarantee the performance of the Agreement. **The personal guarantee shall be in the form of Exhibit G hereto.** No Transfer under this paragraph shall change or limit the liability of any person or entity under this Agreement.

#### 12.05 Approval Process.

Franchisor may use its own discretion in approving or rejecting prospective transferees in the same manner as if it was approving or rejecting any other new prospective franchisee, taking into consideration such factors as their financial ability, character, business reputation, experience and capability to conduct the type of business involved. The approval of one Transfer does not obligate Franchisor to approve any other or subsequent Transfer. If Franchisee is an Entity, notwithstanding any statute or agreement to the contrary, the addition, withdrawal or expulsion of any equity or other owner or the transfer, encumbrance or Transfer of any equity or ownership or control interest of any equity or other owner or the dissolution or reorganization of the Entity for any reason is subject to the same considerations as any other Transfer.

#### 12.06 Transfer By Franchisor.

There shall be no restriction upon Franchisor's right to encumber or Transfer this Agreement or the System. Following such a Transfer, Franchisor shall have no further obligation or liability to Franchisee hereunder or otherwise so long as the transferee agrees to assume all of Franchisor's liabilities and obligations to Franchisee. Upon Franchisor's request, Franchisee shall execute and deliver a certificate to Franchisor, as described in paragraph 20.05, in connection with an anticipated transfer or financing procedure by Franchisor. Franchisee agrees to accept any transferee of Franchisor, including any subfranchisor and perform for such transferee the same as for Franchisor.

#### 12.07 No Sublicensing.

Franchisee shall not, directly or indirectly, sublicense or attempt to sublicense the Marks or the System or any part thereof to any person or entity for any purpose. Any attempted or purported sublicense shall be void.

### Article 13 - Death Or Incapacity

#### 13.01 Alternatives Upon Death Or Incapacity.

In the event of the death or incapacity of an individual franchisee, or of any individual equity or other owner of an Entity franchisee, the heirs, beneficiaries, devisees or legal representatives of said individual shall, within one hundred eighty (180) days of such event:

- a. Apply to Franchisor for the right to continue to operate the franchise and the **Presotea Shop** for the duration of the term of this Agreement and any renewals hereof, which right to continue to operate will be granted upon the fulfillment of all of the conditions set forth in Article 12 of this Agreement (except that no transfer fee shall be required); or
- b. Sell, transfer or convey Franchisee's interest to a third party in compliance with the provisions of Article 12 of this Agreement; provided, however, in the event a proper and timely application for the right to continue to operate has been made and rejected, the one hundred eighty (180) days to sell, transfer or convey shall be computed from the date of said rejection. For purposes of this paragraph, Franchisor's silence on an application to continue to operate through the One Hundred eighty (180) days following the event of death or incapacity shall be deemed a rejection made on the last day of such period.

#### 13.02 Effect Of Failure To Comply.

In the event of the death or incapacity of an individual franchisee, or any owner of an equity or other interest in an Entity franchisee where the provisions of this Article have not been fulfilled within the time provided, all rights granted to Franchisee under this Agreement shall, at the option of Franchisor, terminate and the parties shall proceed according to and have the rights provided for in Articles 17 and 18.

### 13.03 Incapacity Defined.

For purposes of this Agreement, "incapacity" is the inability of Franchisee to operate or oversee the operation of the **Presotea Shop** on a regular basis and in the usual manner by reason of any continuing physical, mental or emotional disability, chemical dependency or other similar limitation which has continued or will more likely than not continue for a period of sixty (60) consecutive days or more. Franchisee shall advise Franchisor in writing, immediately, upon receipt of advice from any physician or other professional that Franchisee or a principal of an Entity franchisee has an incapacity. However, Franchisee's failure or inability to advise Franchisor of Franchisee's incapacity shall not limit Franchisor's rights under this Agreement.

## Article 14 - Successors And Assigns

This Agreement shall bind and inure to the benefit of the successors, permitted transferees and assigns, personal representatives, heirs and legatees of the parties hereto.

## Article 15 - Termination

Franchisor may terminate this Agreement as follows:

a. Franchisor may terminate this Agreement with ten (10) days Notice of default and demand to cure, if any of the below occurs and Franchisee does not cure within such ten (10) days:

1. Franchisee fails to pay Franchisor or Franchisor's affiliate amounts due;
2. Franchisee attempts an unauthorized transfer of some or all of the assets;
3. Franchisee fails to operate the **Presotea Shop** under the Marks or fails to properly display the Marks at all times in full compliance with this Agreement and the Manual;
4. Franchisee fails to comply with any law or regulation (that can be corrected in 10 days);
5. Franchisee fails to use approved vendors;
6. Franchisee fails to have sufficient inventory;
7. Franchisee refuses to permit or cooperate with an audit;
8. Franchisee fails to have a trained owner or manager on site during opening hours;
9. Franchisee fails to maintain any required insurance;
10. Franchisee fails to timely deliver an estoppel certificate
11. Franchisee closes or abandons the shop, or is prevented from opening the shop for normal business for more than three (3) days.

Except as provided in section b. below, Franchisor may terminate this Agreement upon thirty (30) days Notice and opportunity to cure (or longer if required by law) if Franchisee is in breach of any other term of this Agreement or of any other agreement between Franchisee and Franchisor or any affiliate of Franchisor.

b. Franchisor may terminate this Agreement immediately and without opportunity to cure for occurrence of any one or more of the following events (each of which Franchisee acknowledges is good cause for termination and a material breach of this Agreement), notwithstanding that Franchisor may have the option to give a longer Notice and cure period pursuant to other provisions of this Agreement:

1. Franchisee engages in willful use of unauthorized food vendors;

2. Franchisee is cited for any health code violations not corrected within the time required by the issuing agency;
  3. Franchisee files a voluntary petition in bankruptcy or has an involuntary petition filed against Franchisee, Franchisee makes an assignment for the benefit of creditors, or a receiver or trustee is appointed;
  4. Franchisee violates or attempts to violate any of the Transfer provisions of this Agreement, not already noticed for default in section 15a; or there is any change in the ownership of any majority interest in the Entity without having first complied with the provisions of this Agreement;
  5. Franchisee's location is closed down by any governmental authority, or possession is retaken by the landlord;
  6. Franchisee sublicenses or attempts to sublicense the Marks or the System in violation of this Agreement;
  7. Franchisee is an Entity and an impasse exists between equity or other owners
  8. Franchisee violates or fails to comply with any law, rule, regulation, ordinance or order relating to the operation of the **Presotea Shop** or fails to obtain and continue any license, permit or bond necessary for Franchisee's operation of the **Presotea Shop**;
  9. Franchisee is convicted of or pleads guilty or "Nolo Contendere" to any felony charges;
  10. Franchisee engages in any business dealings in relation with the franchise, the **Presotea Shop** or otherwise, which are unethical, dishonest or otherwise could cause harm to the Marks, the System, Franchisor, other franchisees, the goodwill associated with the Marks, or to any customer, client or vendor of Franchisee or any other franchisee of the Franchisor;
  11. Any other agreement, including any other franchise agreement to which Franchisee is a party, between Franchisee and Franchisor or between Franchisee and any of Franchisor's related companies is terminated for cause;
  12. Any repeated violations of default of this Agreement, even though cured, if repeated two (2) times or more times in any twelve (12) month period, except for health code violations;
  13. Franchisee fails to secure a location for the first **Presotea Shop**, within one hundred eighty (180) days from the signing of this Agreement (there will be no refund of the Initial franchise fee);
  14. Franchisee fails to open its **Presotea Shop** within two hundred forty (240) days from execution of this Agreement or any approved extensions, (there will be no refund of the training fee).
- c. Notwithstanding the above, Franchisor may, in Franchisor's sole discretion, elect to not terminate this Agreement and to, in lieu thereof, impose limitations on Franchisee, including, but not limited to, revocation of Franchisee's Territorial rights, and revocation of Franchisee's rights to acquire or offer and sell certain products and services, or implement a remedial program which Franchisee must participate at Franchisee's cost. Franchisor's election to not terminate this Agreement pursuant to this paragraph shall not constitute an election of remedies and Franchisor may, thereafter, terminate this Agreement on account of the same or any other event(s) of default as set forth herein.

## Article 16 - Competition With Franchisor

### Competing Business Activities During and After the Term.

- a. Franchisee covenants that during the term of this Agreement, and for a period of two (2) years after termination or expiration, Franchisee shall not:

1. Engage, directly or indirectly, either personally or as an employee, partner, member, manager, franchisor, franchisee, agent, consultant, shareholder, director, officer, advisor or otherwise, in any other business the same as or similar to that defined under "**Presotea Shop**" herein or which is or would directly or indirectly compete with the **Presotea Shop** or otherwise with the business of Franchisor or with any other franchisee of Franchisor, **within 20 miles of any Presotea Shop location, "A Competing Business"**;

2. Operate any other business from the **Presotea Shop** location except the **Presotea Shop**;

3. Use or permit to be used, or sell, convey or otherwise transfer, any Confidential Information of Franchisor or the Marks or anything resembling the Marks in connection with any other business, whether or not such other business is owned, controlled by or associated with Franchisee;

4. Solicit, take away, or divert, and/or influence or attempt to influence any customers, franchisees, vendors, clients, and/or patrons of Franchisee, of Franchisor or of any franchisee of Franchisor, to transfer or divert their business or patronage away from Franchisee, from Franchisor or Franchisor's franchisee(s) to a Competing Business;

b. The State laws where the Franchisee is located will govern this Article 16, and Franchisee acknowledges and agrees that that despite that there may be some state laws to the contrary, the parties specifically agree that, the periods of time of this covenant and the geographical areas of restriction imposed by this covenant are fair and reasonable and are reasonably required for the protection of Franchisor and its franchisees, Franchisee agrees that, in the event a court or arbitrator should determine any part of this covenant to be excessively broad, unenforceable, and/or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof. Franchisee further agrees that, in the event that any of the provisions of this Agreement relating to the geographic area of restriction or the periods of time of the covenants shall be deemed to exceed the maximum area or periods of time which a court of competent jurisdiction would deem enforceable, the geographic area or periods of time shall, without further action on the part of any person, be deemed to be modified, amended and/or limited, to the maximum geographic area or time periods which a court of competent jurisdiction would deem valid and enforceable in any jurisdiction in which such court shall be convened. Any such modification shall apply only in the jurisdiction of the deciding court or in the state where the arbitrator made the decision.

c. It shall not be a violation of this Article for Franchisee to have or maintain a passive investment in stock of any publicly traded corporation, provided said stock holdings shall not exceed five percent (5%) of the issued and outstanding stock of such corporation.

d. For purposes of this Agreement, all references to Franchisor shall be deemed to include: (i) any corporation or entity which acquires all, or substantially all, of the assets of Franchisor, whether by statutory merger or otherwise, (ii) any corporation, partnership, or other entity directly or indirectly controlled by or under common control with Franchisor or its successor, and (iii) any other Transferee of Franchisor.

e. Franchisee acknowledges that it would be extremely difficult to prove with certainty the exact amount of damages caused to Franchisor by a violation of this Article 16 by Franchisee and therefore, Franchisee agrees that, upon proof that Franchisee violated this Article 16, Franchisor shall be entitled to liquidated damages in an amount calculated by multiplying the amount of gross revenues generated by Franchisee or a third party that benefited from the violation during the period of breach and multiplying it by 1.5, until Franchisee ceases its violation whether voluntarily or by injunction issued in favor of Franchisor as provided below. Franchisee acknowledges that this results in a reasonable estimate of what Franchisor's actual damages would be and is not a penalty.

f. Franchisee agrees that any violation of the covenants contained in this Article will cause irreparable harm to Franchisor and its other franchisees and may, as a matter of course, be restrained by process issued out of a court of competent jurisdiction, in addition to any other remedies provided by law. In the event of any action for a temporary or permanent injunction to enforce this covenant, Franchisee hereby waives any requirement of a bond to the extent that any bond would exceed one hundred dollars. The substantially prevailing party in any such enforcement action shall be entitled to recover their attorneys fees and costs incurred therein in addition to any and all other remedies.

g. Nothing in this Article 16 shall obligate Franchisor to take action to enforce this or any other covenant against competition against any other franchisee or former franchisee. Nothing in this Article 16 shall entitle Franchisee to take any action to enforce this or any other covenant against competition against any other franchisee or former franchisee.

h. The terms of this Article 16 shall survive the termination or expiration of this Agreement for any reason.

## **Article 17 - Effect Of Termination Or Expiration**

### **17.01 Loss Of Rights.**

After the termination or expiration, Franchisee shall have no further rights to use, in any manner, the System, the Marks, anything similar to the Marks, the telephone numbers, the telephone listings, any proprietary computer software, any trade secrets or the Manual. Franchisee shall immediately notify such persons as Franchisor shall reasonably require of Franchisee's loss of rights thereto. All sums of money due from Franchisee to Franchisor or to any vendor as of the termination/expiration date shall become immediately due and payable. As between the parties hereto, whether or not a Lease Conditional Assignment Agreement has been signed, Franchisor or Franchisor's designee shall have the option, exercisable within sixty (60) days, to assume the lease for the location of the **Presotea Shop**. If Franchisor elects to assume the lease, Franchisee agrees to cooperate in the transfer, to execute any documents which may be required for Franchisor or Franchisor's designee to assume the lease, and to otherwise take no actions which would interfere with the ability of Franchisor or its designee to assume the said lease. Franchisor does not guarantee that landlord will release Franchisee from lease or guarantees, and the same is not a condition to Franchisor exercising its rights herein. Franchisee specifically agrees to execute such document(s) as may be necessary to transfer the telephone number(s) to Franchisor or Franchisor's designee. In the event Franchisee or any owner or affiliate of Franchisee owns the location, Franchisee agrees that Franchisor shall have the option to lease the location at fair market value for a term of up to ten (10) years, at Franchisor's election, such option exercisable by Franchisor within sixty (60) days following the termination/non-renewal date.

### **17.02 Change Of Identity.**

After the termination/expiration date, if state law where the **Presotea Shop** is located does not enforce post termination prohibitions in Article 16 above, and, if Franchisor is not taking over the location, Franchisee shall immediately refrain from holding itself out to the public in any way as a Franchisee or affiliate of Franchisor or as a former Franchisee or affiliate of Franchisor. If directed by Franchisor, Franchisee shall, at Franchisee's sole cost and expense, make or cause to be made such changes in signs, telephone numbers, buildings or structures as Franchisor may direct to distinguish the location from its former appearance and from other **Presotea Shop** franchisees. If Franchisee fails to make such changes within ten (10) calendar days, then Franchisor shall have the right to enter upon the location, without liability for trespass or otherwise, and to make or cause to be made such changes at the expense of Franchisee, which expenses shall be paid by Franchisee upon demand. Franchisee shall immediately file the appropriate forms to abandon or withdraw any assumed name certificate or to change the name of its corporation or partnership to eliminate any reference to the

System or the Marks. If Franchisee fails or refuses to cooperate with Franchisor, Franchisee hereby appoints Franchisor as its Attorney in Fact to complete the changeover. Franchisee shall immediately return to Franchisor the Manual, all Confidential Information, bulletins, instruction sheets, software, forms, designs, signs, printed matter and other material containing any part of the System or the Marks together with all copies thereof (including electronic or digital copies) that are or have been within Franchisee's custody or control. Franchisee will be responsible for all royalties and damages for the tie period it has not complied with the de-identification requirements in this section.

#### 17.03 Changeover Procedure.

Upon termination or expiration of this Agreement, if Franchisor or Franchisor's designee has indicated its intention to assume Franchisee's lease for the location and to operate a **Presotea Shop** from that location, the parties agree to cooperate in the changeover of the **Presotea Shop** to Franchisor, including by taking the steps set forth herein. If Franchisee fails or refuses to cooperate with Franchisor, Franchisee hereby appoints Franchisor as its Attorney in Fact to complete the changeover. In such case, the parties shall: notify the landlord of the change of tenancy pursuant to the Lease Conditional Assignment Agreement or otherwise and Franchisor shall be entitled to take control of the location, including by changing the locks; terminate vendor accounts at Franchisor's option; conduct an inventory of all equipment, fixtures, tenant improvements, supplies and inventory (if Franchisee elects to not participate in the inventory, Franchisor's inventory shall be presumed accurate and complete); Franchisor shall have the right to use Franchisee's equipment, furniture, fixtures and related items for up to sixty (60) days and shall pay or credit Franchisee with the fair market rental value of that use; Franchisor shall be entitled to communicate directly with Franchisee's agents, employees, customers and vendors in order to facilitate a smooth transition to ownership by Franchisor or Franchisor's designee; Franchisor or its designee shall be entitled to all Gross Revenues received after the date of termination. No action taken pursuant to this paragraph shall constitute a waiver by Franchisor of any claims against Franchisee for any reason. The parties agree that there are no circumstances justifying a stay or delay in implementation of the terms of this paragraph and the parties specifically agree that any claims, including, but not limited to, allegations of wrongful termination, can be separately resolved and that an award of damages would be an adequate remedy. Franchisor shall be entitled to receive royalties on all Gross Revenues received or receivable by Franchisee as of the termination date. All such royalties shall be due and payable on the termination date.

#### 17.04 Option To Purchase Certain Assets at Expiration or Termination.

Franchisor shall have and is hereby granted an exclusive option and after expiration or termination of this Agreement, to purchase from Franchisee all of Franchisee's right, title and interest in all or any part of the assets comprising the franchise business, Franchisee's **Presotea Shop**, at the fair market value, to include by way of example, furniture, fixtures, equipment, computers, decor items, inventory and supplies, but excluding any value for purported "goodwill". Franchisee acknowledges that Franchisor already owns the "goodwill" which is attached to the Marks and the **Presotea Shop**. Within ten (10) days of termination or expiration, Franchisor will provide Franchisee Notice of its intent to exercise the option granted herein. The purchase price will be the fair market value of the items being purchased, which can be supported by any reasonable method provided by the Franchisor. Franchisor shall not be obligated to assume any liabilities of Franchisee. Franchisor and Franchisee shall consummate the transfer in an orderly manner no later than thirty (30) days later, and Franchisee shall execute all documents necessary and as required by Franchisor to facilitate the transfer. As part of the transfer, if Franchisor is taking over the location for the business, Franchisor may continue under the current lease terms as provided in the Conditional Lease Assignment, or enter into a new lease with the landlord. If taking over the lease terms, Franchisor does not guarantee landlord will release Franchisee from liability.

#### 17.05 Survival Of Terms.

The terms of this Article 17 shall survive the termination, non-renewal or expiration of this Agreement for any reason.

## **Article 18 - Arbitration of Disputes.**

### **18.01 Agreement to Arbitrate.**

Except as provided below, any controversy or claim or dispute between the parties hereto or between any party hereto and any other person arising out of or relating to this Agreement, the negotiation thereof, the offer or acceptance thereof, or the performance or breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, before a single arbitrator, versed in franchise, licensing and/or contract law. Judgment on the award may be entered in any court having jurisdiction thereof. Any arbitration shall take place in **Orange County, California**. This Article shall be governed by the Federal Arbitration Act. No party shall join or attempt to join their claims in a single proceeding with the claims of any other party, person or entity even if similarly situated. (No class actions are permitted through a single arbitration or litigation). The prevailing party shall be awarded all costs fees, arbitrator's compensation and attorneys' fees, from the losing party.

### **18.02 Conduct of Arbitration.**

Unless otherwise specifically required by applicable law, demand for arbitration or proceedings in arbitration, or court proceedings shall not operate to stay, postpone, prohibit or rescind any expiration, termination or non-renewal of this Agreement as provided in this Agreement, and the parties will be limited to their remedy in damages, as determined by the court or arbitrator, for non-renewal or termination found by the arbitrator to be wrongful. Damages would be an adequate remedy for any such wrongs. The court or arbitrator shall not extend, modify or suspend any of the terms of this Agreement or the reasonable standards of business performance set by Franchisor.

### **18.03 Limited Exceptions to Arbitration.**

The requirements of paragraphs 18.01 ad 18.02, may not apply, in Franchisor's discretion, to actions for the sole purpose of collecting unpaid money, including franchise fees, royalties or marketing fees pursuant to this Agreement or enforcing Franchisor's rights in the Marks (both for injunctive relief and damages), the Confidential Information or the covenant against competition. Any such actions and claims may, at Franchisor's discretion, be brought in the State or Federal courts in **Orange County, California**.

### **18.04 Mandatory pre-arbitration meeting.**

Prior to either party being required to file a demand for arbitration, the parties are required to attempt to attempt their dispute through in person meeting in good faith, at the Franchisor's offices. Upon the Notice of either party for a mandatory pre-arbitration meeting, the parties must agree on a date which the meeting must take place within forty-five (45) days of the Notice, unless otherwise agreed. The parties are responsible for their own costs in attending the meeting. Should the party receiving the Notice for mandatory pre-arbitration meeting, fail to respond, or refuse to participate, or indicate its refusal to so participate, then the other party may skip this requirement or proceed to mandatory arbitration.

## **Article 19 - Representations Of Franchisee**

### **19.01 Representations**

Franchisee represents and warrants as follows:



- a. Franchisee is not currently a party to or subject to any contract or agreement, including any other franchise agreement, employment agreement or any covenant not to compete which would directly or indirectly be breached by entering into this Agreement or which would directly or indirectly prohibit or restrict Franchisee's signing of this Agreement or performance thereunder;
- b. Franchisee is executing this Agreement and purchasing the license herein for Franchisee's own account and not as an agent or representative of another (unless for an Entity otherwise named herein and in compliance herewith);
- c. Franchisee intends to be actively involved in the **Presotea Shop** for the entire term of this Agreement and knows of no reason that he/she might become a passive owner;
- d. Franchisee has not terminated and will not terminate Franchisee's existing employment or cease any other income-producing activity until after Franchisee has an approved location, has successfully completed the Initial Training Program, and is open for business. If Franchisee elects, notwithstanding this sub-paragraph to terminate employment or income-producing activity, Franchisee knowingly assumes the risk of loss of income and does so contrary to Franchisor's advice.

## **Article 20 - Miscellaneous Provisions**

### **20.01 Non-waiver.**

No act or omission or delay in enforcing a right by either party shall waive any right under or breach by the other of this Agreement unless such party executes and delivers a written waiver. The waiver by either party of any right under or breach of this Agreement shall not be a waiver of any subsequent or continuing right or breach.

### **20.02 Attorneys Fees.**

In the event that legal action is properly commenced in court by either party to enforce this Agreement or to determine the rights of any party, as permitted by Article 18, the substantially prevailing party, in addition to any other remedy, shall be entitled to receive its reasonable actual attorneys fees and costs, including expert fees, including pre-arbitration legal fees.

### **20.03 Severability.**

In the event that any of the provisions, or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction or by an arbitration panel, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby, and full effect shall be given to the intent manifested by the provisions, or portions thereof, held to be enforceable and valid, unless such invalidity shall pertain to the obligation to pay fees, in which event this Agreement shall terminate.

### **20.04 Warranty Of Authority.**

Each person signing this Agreement for or on behalf of any party to this Agreement warrants that he/she has full authority to sign and to legally bind the party.

### **20.05 Estoppel Certificate**

In the event that Franchisor is considering Transferring or encumbrancing this Agreement, the System, or any other of Franchisor's rights or assets, or upon request by Franchisor at any time, Franchisee shall, within ten (10) calendar days after Franchisor shall request the same, execute, acknowledge and deliver to Franchisor, a written certificate that (a) this Agreement is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Agreement as so modified is in full force and effect); (b) the date to which royalties or other charges have been paid in advance, if any; (c) there are not, to Franchisee's knowledge, any uncured defaults on the part of Franchisor or Franchisee hereunder, or specifying such defaults if any are claimed; (d)

setting forth the dates of commencement and expiration of the term of this Agreement; (e) Franchisee has and knows of no basis for any claims of any kind against Franchisor (or, if Franchisee has or knows of any such claims, a detailed statement of all such claims and a statement that Franchisee has and knows of no other claims); and (f) any other matter upon which certification is requested by Franchisor or a prospective transferee or encumbrancer. Franchisor may rely upon any certificate given pursuant to this sub-paragraph as may any prospective purchaser or encumbrancer of all or any portion of Franchisor's rights hereunder. Any failure or refusal to timely execute a truthful certificate pursuant to this sub-paragraph shall be a material breach of this Agreement.

#### 20.06 Paragraph Headings.

The various paragraph headings are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement or any portion thereof.

#### 20.07 Recitals.

The recitals preceding the first numbered paragraph of this Agreement are hereby made part of this Agreement as if set forth within the numbered paragraphs. All references to "Franchisee" shall include all owners, parents and subsidiaries of Franchisee if Franchisee is an entity.

#### 20.08 No Third Party Beneficiary.

Nothing in this Agreement shall be construed to give Franchisee any rights as a third party beneficiary or otherwise arising out of any similar or other agreement(s) between Franchisor and any other franchisee(s). Nothing in this Agreement shall be construed to give to any other franchisee or any other person any rights arising out of this Agreement. Any action or inaction by Franchisor with regard to any other franchisee's performance or non-performance as to any term of this or any similar agreement shall not give rise to any claims or rights in favor of Franchisee under this Agreement.

#### 20.09 Choice Of Law.

This Agreement shall be deemed made and entered into in the State of California. Except as otherwise specified herein, this Agreement shall be governed by and construed under the laws of the state of California except for claims involving Article 16, which shall be governed by the laws of the state where Franchisee's **Presotea Shop** is located.

#### 20.10 Notices.

All notices required or permitted by this Agreement ("Notice" or "Notices") shall be sent to the Franchisor at its address as listed above, or otherwise notified, and if to Franchisee, at the **Presotea Shop** location once opened, or such other address as provided by Franchisee. The place of Notice may be modified by appropriate Notice to the other party. All Notices shall be sent by certified mail, return receipt requested, postage prepaid, personally delivered, or by overnight delivery. Notices shall be deemed given at the earlier of receipt by the addressee, or if by certified mail, and refused, immediately upon refusal of delivery by the addressee.

#### 20.11 Entire Agreement.

This document, together with any exhibits and addenda appended hereto, constitutes the full and complete agreement between the parties hereto with respect to the subject matter hereof. There are no verbal or other agreements that affect or modify this Agreement. Any prior or contemporaneous representations, promises, contracts or agreements not contained in this Agreement or the Franchise Disclosure Document presented herewith are hereby fully superseded.

#### 20.12 Modification.

This Agreement shall not be modified or changed except by a written agreement executed by an officer of Franchisor. No approval of a deviation from the terms of this Agreement shall be valid unless signed by an officer of Franchisor.

#### 20.13 Effective Date.

This Agreement shall have no force or effect unless and until signed by an officer of Franchisor. The effective date shall be the date of such corporate signature.

20.14 Time Of Essence.

Time is of the essence of this Agreement.

**Article 21 - Business Risk.**

Franchisee has been informed by Franchisor that the business venture contemplated by this Agreement involves business risks.

*--signatures on next page--*

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day and year indicated below.

Dated: \_\_\_\_\_ [effective date]

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

**FRANCHISOR:**

**MSY MANAGEMENT, INC.**

**FRANCHISEE:**

**(INSERT NAME)**

By \_\_\_\_\_  
Melanie Yi, President

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

**EXHIBIT A**  
**to**  
**Franchise Agreement**

**Location of Presotea Shop**

The location of Franchisee's **Presotea Shop** to be filled in after the location are signed, and this exhibit revised.

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**EXHIBIT B**  
**to**  
**Franchise Agreement**

**Territory**

Franchisee's Territory is:

One (1) mile radius around Franchisee's **Presotea Shop** location.

**EXHIBIT C**  
**to**  
**Franchise Agreement**  
**Required Kitchen Equipment**

All equipment must comply with the specifications published in the Operations Manual. Certain items may change from time to time.

1 BUNN-H5X-EL-208 HOT WATER DISPENSER, 5-GAL, 208V
NEMC-6100A WARMER SOUP 7 QT
WELL-RCP-100 COLD FOOD WELL, DROP IN, 12"X20" PAN, 115V/60/1PH
HOSH-KM-1340MAJ ICE MAKER, CUBE, 1275LB/ 24H, 208-230V/60/1-PH
HOSH-B-900SF ICE BIN 52"W 900LB CAPACITY
HOSH-HS-2035 TOP KIT 22" ABS FOR B-900SF
VITM-36019 BLENDER THE QUIET ONE ON COUNTER
ATOSA-MCF8707GR REF., 2-HINGED-GLASS DR 54.4"W, 47.1 CUFT, 115V
SINK-18-1T-1D-R, SINK 18X18 W/DB
FAUCET-E-W8-12 , FAUCET WM 8``C/C 12``SPT NO LEAD ON0277
SINK-18-3T-2D , SINK 18X18 (3)T 2DB #SEE18183D
TSF-5PR-8W00, FAUCET PRE-RINSE(WM)8`` NSF

**EXHIBIT D**  
**to**  
**Franchise Agreement**  
**Required Opening Inventory and Supplies**

Specific vendors are in the Operations Manual. Certain items may change from time to time.

Quantity	Products
2 Carton	Blueberry Fruit Tea
2 Carton	Earl Grey Tea
2 Carton	Ceylon Black Tea
2 Carton	Peach Oolong Tea
2 Carton	A-Li-Shan Ice Tea
2 Carton	Genmaicha Green Tea
2 Carton	Jasmine Green Tea
2 Carton	Roasted Hojicha
2 Carton	Lychee Black Tea
2 Carton	Toffee Black Tea
2 Carton	Chamomile Green Tea
2 Carton	High Fructose Corn Syrup
2 Carton	Brown Sugar Syrup
2 Carton	Sweet Taro
2 Carton	Red Bean
2 Carton	Passion Fruit Syrup With Pulp
2 Carton	Pineapple Conc. Syrup
2 Carton	Wax Gourd Concentrated Juice & Syrup (Crystal Wintermelon)
2 Carton	Mango Flavored Syrup with Pulp
2 Carton	Strawberry Flavored Syrup with Pulp
2 Carton	Tapioca Pearls
2 Carton	Tapioca Pearls (white)2.3
2 Carton	Lychee Flavored Coconut Jelly
2 Carton	Jelly Boba - Original flavor
2 Carton	Coffee Whitener
2 Carton	Salted Foam Powder
2 Carton	Herbal Jelly Powder
2 Carton	Taro Flavored Powder
2 Carton	Okinawa Brown Sugar Milky Flavor Tea
2 Carton	Pudding Powder
2 Carton	Shizuoka Matcha powder
2 Carton	Santa Cruz Dark Cocoa
2 Carton	Coconut Milk Flavored Powder
2 Carton	Tapioca Starch (White) - original
2 Carton	Tapioca Starch - original
1 Carton	Tieguanyin Soft Serve Powder
1 Carton	Matcha Soft Serve Powder



QUANTITY	PRODUCTS
1	2 Doors Refrigerator
1	Under Counter Cooler
1	Crescent Ice Maker
1	Ice Bin For Ice Maker
1	Hot Water Dispenser
1	2 Burners ( Solid Top)
1	32" H SS Counter Cabinet For Tea Machines
depends on needs	SS Work Table
1	CA 3Holes Tea Machine -White w/protect cover. ( ETL )
1	Food Processor With Blender

Branded Items Package: various uniform apparel, printed products and miscellaneous products.

**EXHIBIT E**  
**to**  
**Franchise Agreement**  
**Lease Conditional Assignment Agreement**

This Rider is attached to and is part of that certain Lease, by and between: \_\_\_\_\_  
\_\_\_\_\_ ("Lessor") and \_\_\_\_\_ ("Lessee") dated  
\_\_\_\_\_ for the premises located at: \_\_\_\_\_  
\_\_\_\_\_

A. **CONDITIONAL ASSIGNMENT:** Lessee hereby conditionally assigns certain of the Lessee's possessory right, in this lease TO **MSY MANAGEMENT, INC.**, (hereinafter, "Franchisor"). This assignment shall become effective at Franchisor's sole option and discretion, upon occurrence of either of the following conditions:

1. Termination or expiration of the **Presotea Shop** Franchise Agreement between Franchisor and Lessee for the operation of Lessee's **Presotea Shop** franchise within the leased premises; **or**

2. Default by Lessee of any material lease term with Lessor without curing such default.

In either case above, Franchisee shall have the right but not the obligation, to take over possession of the premises, and if so, to take over the onlong payments of this lease, and act as the temporary lessee, without assuming legal assumption of the lease, but subject to the ongoing lease obligations, which Lessee and any guarantor, remain the legal obligors.

B. **CONSENT BY LESSOR:** Lessor hereby consents to the said conditional assignment and hereby agrees that if said conditional assignment becomes effective, Franchisor shall have sole right to possession to the exclusion of Lessee, and shall further the right to re-assign this lease with full possession to a new Franchisee of Franchisor without the prior consent of Lessor, except for certain basic reasonable qualifications; However, in the event of such re-assignment, Lessee shall not be relieved from liability. Lessor acknowledges Franchisor shall never become legally liable for the lease, except for the time period during it's temporary possession.

C. **COOPERATION BY LESSEE:** Lessee agrees that at such time as Franchisor exercises its option to take possession and become the temporary Lessee under this lease, Lessee will immediately vacate the demised premises without removing any fixtures, parts, or accessories except as authorized in the Franchise Agreement and Lessor will permit Franchisor to enter upon and take possession of the demised premises. Lessor will cooperate in all legal action necessary to remove lessee if lessee refuses to vacate premises.

D. **RELIANCE BY LESSOR:** Lessor is hereby authorized and directed to rely solely upon written notice by Franchisor of the termination/expiration of the **Presotea Shop** Franchise Agreement and exercise by Franchisor of its option to become the Lessee under this lease, and Lessor is hereby relieved of any and all liability to Lessee for any action it takes in so relying.

E. **DEFAULT BY LESSEE:** Lessor agrees to give Franchisor a copy of any notice if default Lessor issues to Lessee, as well, as thirty (30) days prior written notice of its intention to reenter and repossess the premises and/or to cancel the lease on account of Lessee's default of any of the terms, conditions or provisions thereof. Franchisor may cure such default or otherwise exercise its rights under this conditional assignment.

F. **OPTION TO RENEW:** In the event that Lessee fails to exercise any option which Lessee might have under the lease to renew same prior to the expiration thereof, Lessor agrees to notify Franchisor in writing of lessee's failure to renew the lease and Franchisor shall then have thirty (30) days from the receipt of such notice to exercise any option to renew and replace Lessee as the lessee under the lease.

Dated: \_\_\_\_\_[effective  
date]

Date signed:

\_\_\_\_\_

**MSY MANAGEMENT, INC**  
(Franchisor/Assignee)

**FRANCHISEE**

By \_\_\_\_\_  
MELANIE YI, President

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

**LESSOR:**

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

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

**EXHIBIT F**  
**to**  
**Franchise Agreement**

**Assignment of Telephone Numbers**

\_\_\_\_\_ (Franchisee/Assignor), in consideration of **MSY MANAGEMENT, INC.**, (Franchisor/Assignee) granting an **Presotea Shop** franchise contemporaneously herewith, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby Assigns to **MSY MANAGEMENT, INC.**, all telephone numbers and listings utilized or to be utilized by Franchisee/Assignor in the operation of his **Presotea Shop** (the "Assignment"). The Assignee hereby assumes the performance of all of the Terms, Covenants, and Conditions of the agreement(s) with the telephone company with respect to such telephones, telephone numbers and telephone listings with the same force and effect as if Assignee had been originally issued such telephone, telephone numbers, telephone listings and the usage thereof. This Assignment is valid on the effective date and is irrevocable. It applies equally to any numbers first used after the effective date. The telephone company is authorized to rely upon this Assignment at any time that it is delivered to the telephone company by Franchisor/Assignee. Assignee and Assignor each agree to hold harmless and indemnify the telephone company from any claims based upon the telephone company's reliance upon this Assignment. Assignee and Assignor each agree to sign any other documents necessary in the opinion of the telephone company to give effect to this Assignment.

Dated: \_\_\_\_\_ [effective date]      Date signed: \_\_\_\_\_

**MSY MANAGEMENT, INC.**,  
(Franchisor/Assignee)

**FRANCHISEE**  
(Assignor)

By \_\_\_\_\_  
MELANIE YI President

\_\_\_\_\_  
Franchisee

**Subject telephone number(s):**

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT G**  
**to**  
**Franchise Agreement**  
**Personal Guaranty**  
(the "Guaranty")

IN CONSIDERATION of and to induce the consent by **MSY MANAGEMENT, INC.**, a **CALIFORNIA** corporation ("Franchisor") to the assignment of all right, title, and interest in and to the **Presotea Shop** Franchise Agreement dated \_\_\_\_\_ to \_\_\_\_\_, a \_\_\_\_\_ [Type of Entity and State of organization] ("Franchisee"), [or alternatively, in consideration of and to induce Franchisor's consent for the undersigned to enter into the Franchise Agreement in the Entity form], and for other good and valuable consideration, I/we, and each of us jointly, severally, absolutely and unconditionally guarantee to Franchisor:

**1.01 Payment Of Obligations.**

The punctual payment and satisfaction of each and every claim, demand, default, liability, indebtedness, right or cause of action of every nature whatsoever, including expenses, damages and fees, now or hereafter existing, due or to become due, or held by Franchisor, its subsidiaries, divisions, or related companies, together with any interest as it may accrue, and all costs, expenses and attorneys fees paid or incurred by Franchisor or its subsidiary, division, or related company in collecting or attempting to collect the obligations of the Franchisee or in enforcing or attempting to enforce this Guaranty; and

**1.02 Continuing Performance.**

The timely performance of each term, covenant, and obligation of the license set forth in the **Presotea Shop** Franchise Agreement described above. This is a continuing Guaranty, which shall apply to the Franchise Agreement and any subsequent renewals, extensions, amendments or modifications thereof, and such renewals, extensions, amendments or modifications shall be conclusively presumed to be covered by this Guaranty without further notice to or acceptance by the undersigned.

**2.01 Execution And Delivery.**

The undersigned acknowledge(s) and agree(s) that possession of this Guaranty by Franchisor constitutes true and correct execution and actual and proper delivery of same to Franchisor, and the undersigned waive notice of acceptance of this Guaranty and of the incurrence by Franchisee of any liability to which it applies or may apply, and waive presentment and demand for payment thereof, protest, notice of protest and notice of dishonor or non-payment thereof, collection thereof including any notice of default in payment thereof or other notice to, or demand of payment therefore on, any party. The undersigned further waive any right to have security applied before enforcing this Guaranty, any right to require suit against the Franchisee or any other party before enforcing this Guaranty, and any right to subrogation to Franchisor's rights against the Franchisee until the Franchisee's liabilities and obligations to Franchisor are paid and satisfied in full. Payment by the undersigned shall be made at the office of Franchisor, or such other location as Franchisor may designate in writing.

**3.01 Rights Of Company**

Franchisor may, at its option, at any time, without the consent of or notice to the undersigned, without incurring responsibility to the undersigned and without impairing or releasing the obligations of the undersigned, upon or without any terms or conditions and in whole or in part:

3.01.01 change the manner, place or terms of payment or change or extend the time of payment of, renew, or alter any obligation, liability or right of the Franchisee under the Franchise

Agreement hereby guaranteed, or any liabilities incurred directly or indirectly hereunder, and the guaranty herein made shall apply to the obligations and liabilities of the Franchisee, so changed, extended, renewed or altered;

3.01.02 exercise or refrain from exercising any rights against Franchisee or others, or otherwise act or refrain from acting;

3.01.03 settle or compromise any liabilities hereby guaranteed or hereby incurred, and may subordinate the payment of all or any part of such liabilities to the payment of any liabilities which may be due to Franchisor or others; and

3.01.04 apply any sums paid to any liability or liabilities of Franchisee to Franchisor regardless of what liability or liabilities of Franchisee remain unpaid. Franchisor may, at its option, without the consent of or notice to the undersigned, apply to the payment of the liability created by this guaranty, at any time after such liability becomes payable, any moneys, property, or other assets belonging to the undersigned in the possession, care, custody and control of Franchisor.

#### 4.01 Irrevocable.

This Guaranty shall not affect in any manner the right of Franchisor to terminate the Franchise Agreement pursuant to the terms thereof, and this Guaranty shall survive the termination, expiration, or cancellation of the Franchise Agreement. Franchisor may at its option, elect to take no action pursuant to this Guaranty or the Franchise Agreement without waiving any rights under either. The undersigned do further agree that it will not be necessary for Franchisor, in order to enforce the terms of this agreement against them, to first institute suit or exhaust its remedies against the Franchisee or any others. This Guaranty shall operate as a continuing Guaranty and shall be non revocable, except with the express written consent of Franchisor.

#### 4.02 Joint And Several Liability.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

#### 4.03 Successors And Assigns.

This Guaranty shall bind and inure to the benefit of the heirs, executors, administrators, successors, and Assigns of Franchisor and of the undersigned.

#### 4.04 Non-competition.

The undersigned hereby agree that they shall be individually bound by the provisions of the Franchise Agreement relating to trade secrets, confidentiality, and non-competition.

#### 4.05 Bankruptcy Or Insolvency Of Franchisee.

In the event that a petition in bankruptcy or for an arrangement or reorganization of the Franchisee under any state or federal bankruptcy law or for the appointment of a receiver for the Franchisee or any of its property is filed by or against the Franchisee, or if the Franchisee shall make an Assignment for the benefit of creditors or shall become insolvent, all indebtedness and other obligations of the Franchisee shall, for purposes of this Guaranty be immediately due and payable.

*--Signatures on next page--*

WITNESS our hands at \_\_\_\_\_, on this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

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[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

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[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

**EXHIBIT H**  
**to**  
**Franchise Agreement**

**AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO**  
**MSY MANAGEMENT, INC., INCLUDING CHECKS AND ELECTRONIC TRANSFERS**

Depositor hereby authorizes and requests \_\_\_\_\_ (the "Bank") to initiate debit and credit entries to Depositor's account indicated below drawn by and payable to the order of **MSY MANAGEMENT, INC.**, (the "Company") in checks drawn on such account payable to the Company or by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Bank's rights with respect to each such charge shall be the same as if it were a check drawn by the Bank and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Bank shall be under no liability whatsoever.

Bank Name: \_\_\_\_\_

Bank Address: \_\_\_\_\_

Transit/ABA Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

This authority is to remain in full force and effect until the Company has received written notification from the depositor of its termination in such time and in such manner to afford the Company and Bank a responsible opportunity to act on such request.

Store Address: \_\_\_\_\_

Name of Depositor: \_\_\_\_\_ (Please print Franchisee name)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Signature of Depositor

\_\_\_\_\_  
Signature of Depositor (in case more than 1 depositor)

**PLEASE ATTACH ONE VOIDED BLANK CHECK FOR PURPOSES OF SETTING UP BANK AND TRANSIT NUMBERS.**



**EXHIBIT I**  
**To**  
**Franchise Agreement**

**Confidentiality Agreement**  
**(For Franchisee's Employees)**

This Confidentiality Agreement is made by and between \_\_\_\_\_,  
doing business as **Presotea Shop** at the location listed below (hereinafter, "the Employer") and  
\_\_\_\_\_, (hereinafter, "Employee").

**WHEREAS**, Employer is engaged in the business of offering and selling goods and services in connection with the **Presotea Shop** under the Marks and using the System, pursuant to a franchise agreement between Employer and **MSY MANAGEMENT, INC.**, ("Franchisor"); and

**WHEREAS**, Employer has a need for a manager or employee for the **Presotea Shop**; and

**WHEREAS**, Employee is willing to become a manager or employee for the **Presotea Shop**;

**WHEREAS**, Employer is willing to hire Employee or to promote Employee but only upon the agreement by Employee to the terms of this Confidentiality Agreement set forth herein.

**NOW THEREFORE**, for and in consideration of the mutual covenants herein contained and other good and faithful consideration, the receipt and sufficiency of which is hereby acknowledged by each party, the parties hereby agree as follows:

1. Confidential Information.

Employee agrees that all of the information provided to Employee by Employer, by Franchisor, other franchisees, or otherwise obtained by in the course of employment (including pre-employment) relating to the **Presotea Shop** its operation, management, policies, relationship with its Franchisor, identity of its customers, members and vendors, pricing structures and formulas, menu items, recipes, product mix, inventory policies, and similar information, is confidential and is proprietary and constitutes trade secrets of, and is owned by Franchisor ("Confidential Information"). Franchisor is licensing the Confidential Information to Employer under a franchise agreement. Employer is permitted to allow its employees conditional and limited use of the Confidential Information providing such employees sign this Confidentiality Agreement. Employee acknowledges that the Confidential Information is not generally available to the public and that it derives independent economic value from not being widely known and is Proprietary to both Employer and Franchisor. Employee acknowledges and agrees that certain items or information to be made available may not, if analyzed in isolation, be trade secrets; however, unless Employer or Franchisor specifically agrees otherwise in writing, all such items and information, when placed in the context of those things which are Confidential Information if analyzed in isolation, become and are part of Franchisor's proprietary information and trade secrets and are subject to this Confidentiality Agreement. Confidential Information does not include information on public record or readily available from a third party without consent by Employer.

2. Trade marks, trade names and logos.

Employee acknowledges the name, "**Presotea**" and any all logos, as well as product-specific or menu specific names and all future slogans, trade names, trademarks, and logos, used in connection with the **Presotea Shop location** ("Marks") are priority, and owned by the Franchisor and licensed to Employer.

3. Nondisclosure.

Employee shall not at any time or in any manner, either directly or indirectly, divulge, disclose or communicate to any unauthorized person(s) any Confidential Information. All such information shall be held by Employee in complete confidence. Such information is important, material, and confidential and gravely affects the effective and successful conduct of Employer's **Presotea Shop** and goodwill of Employer and Franchisor. Should Employee, at any time, cease to be an employee of Employer, Employee shall immediately return to the Employer the originals and all copies of all documents or other media containing or representing Confidential Information. Breach of any of the terms of this paragraph shall be a material breach of this Confidentiality Agreement. The terms of this paragraph shall survive termination of this Confidentiality Agreement for any reason. Employee shall be in breach of this Agreement during any month in which Employee or any third party has possession or use of any Confidential Information in violation of this Confidentiality Agreement.

#### 4. Misappropriation.

Employee at no time during or after his/her employment, will Employee improperly disclose or to any 3<sup>rd</sup> parties, otherwise use or utilize, convey, sell, transfer or reverse engineer any of the Confidential Information, nor use, misuse or copy the Marks, for Employee's own benefit unrelated to his or her employment with Employer, or for the benefit of a third party for their personal gain, including any third party entity which Employee directly or indirectly has control over or an affiliation with whether as an officer, owner, employee, consultant, or otherwise, and whether or not compensated for such use ("Misappropriation"). Employee further acknowledges that should Employee engage in any Misappropriation, both Employer and Franchisor would suffer irreparable harm.

#### 5. Third Party Beneficiary/Enforcement By Franchisor.

Both Employer and Employee acknowledge and agree that this Confidentiality Agreement is for the benefit not only of the Employer, but for the third party benefit of Franchisor, **MSY MANAGEMENT, INC.**, Employer and Employee each acknowledge agree that **MSY MANAGEMENT, INC.**, shall have the right (but not the obligation) to enforce this Confidentiality Agreement, for its own account and employee acknowledges that it may fact an action from Employer separately for Employer's damages.

#### 6. Default and Remedies.

Should Employer or Franchisor determine that Employee has violated this Confidentiality Agreement, depending on the provision and severity of the violation, Employee may or may not receive notice of default and demand to cure. If the violation is capable of being fully cured within 10 days, Employee will receive such written notice of default and Demand to cure prior to legal action being initiated. Employee agrees that, in the event of a violation, Employer and/or Franchisor shall be entitled, in addition to all other remedies available at law or in equity, to a temporary restraining order, a preliminary injunction and other interim relief and that the maximum bond to be required of Employer or Franchisor for such relief shall be ten dollars (\$10.00). Employee waives any right to a higher bond. Employee agrees that any action taken by Employer or Franchisor pursuant to this Confidentiality Agreement shall not constitute an election of remedies. In addition to, and not in lieu of, an injunction, Employer and Franchisor shall be entitled to a judgment against Employee for all damages including consequential damages, if the same is able to be calculated. **In addition, if still employed, Employee may be immediately terminated for violating this Confidentiality Agreement.**

#### 7. Effectiveness.

This Confidentiality Agreement shall become effective when signed and shall be enforceable at any time thereafter, and shall remain in effect after Employee's end of employment.

8. Non-waiver

No act or omission or delay in enforcing a right by either party, or Franchisor, shall waive any right under or breach by the other of this Confidentiality Agreement unless such party executes and delivers a written waiver. The waiver by either party of any right under or breach of this Confidentiality Agreement shall not be a waiver of any subsequent or continuing right or breach.

9. Attorneys Fees.

In the event that legal action or arbitration is commenced by either party to enforce this Confidentiality Agreement or to determine the rights of any party, including any appeal proceeding, the substantially prevailing party, in addition to any other remedy, shall be entitled to receive its reasonable attorneys' fees and costs.

10. Choice Of Law/Enforcement.

This Agreement shall be governed by and construed under the laws of the state in which the **Presotea Shop** is located and shall be enforced in the courts in such state.

11. Notices.

All notices required or permitted by this Confidentiality Agreement shall be sent to the respective parties at the addresses set forth herein. The place of notice may be modified by either party. All notices shall be sent by certified mail, return receipt requested, postage prepaid, or personally delivered. Notices shall be deemed given at the earlier of (a) receipt by the addressee or (b) two (2) days following deposit with the United States Postal Service or its successor.

12. Entire Agreement.

This document, together with any exhibits and addenda appended hereto, constitutes the full and complete agreement between the parties hereto with respect to the subject matter hereof. There are no verbal or other agreements that affect or modify this Confidentiality Agreement. Any prior representations, promises, contracts or agreements are hereby fully superseded.

13. Modification.

This Confidentiality Agreement shall not be modified or changed except by a written agreement executed by an officer of Employer. No approval of a deviation from the terms of this Confidentiality Agreement shall be valid unless signed by an officer of Employer.

**EMPLOYER**

\_\_\_\_\_

By \_\_\_\_\_

Address of **Presotea Shop**:

\_\_\_\_\_

\_\_\_\_\_

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

**EMPLOYEE**

\_\_\_\_\_  
Signature

Address: \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

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

# FRANCHISE DISCLOSURE DOCUMENT

## Attachment C

### List of Franchisees as of April 1, 2024

(These were all sold by our predecessor)

#### California

JAX 6 LLC  
201 W Center St Promenade Ste C  
Anaheim, CA 92805  
PH 949-294-6268

CHRISTINE TRAN  
1345 Allen Rd,  
Bakersfield CA 93314  
PH 714-623-4376

TUAN TY  
3720 Gosford Rd, Suite A  
Bakersfield CA 93309  
PH 714-623-4326

JAX 6 LLC  
41 Auto Center Dr Suite 109A,  
Foothill Ranch, CA 92610  
PH 949-294-6268

RACHEL PHAN  
19171 Magnolia Street, Unit 3,  
Huntington Beach, CA 92646  
PH 714-261-7001

TINA FERRANTE  
2222 Michelson Drive, Suite 202,  
Irvine, CA 92612  
PH 949-878-8891

EUGENE YEH  
VIVIAN NEVIN  
1100 Manhattan Ave, Suite 102,  
Manhattan Beach, CA 90266  
PH 661-900-3661

KYLE VO  
4875 W Mission Blvd., Unit F  
Montclair, CA 91763  
PH 951-500-7550

RAYMOND YAU  
4343 Mission Blvd. Ste 104  
San Diego, CA 92109  
PH 760-207-3918  
PH 858-344-5845

GIANG & HUONG  
10790 Bernardo Center Drive, Unit 127  
San Diego CA 92127  
PH 858-304-8091

Brian Yoon  
300 Carlsbad Village Dr., Ste 201B  
San Diego, CA 92008  
PH 760-637-5155

8 LEAVES PROPERTIES, LLC  
21221 Hawthorne Blvd.  
Torrance, CA 90503PH 661-900-3361  
PH 661-246-9310

YNP Global LLC\*  
9211 Bolsa Ave., Suite 105,  
Westminster CA 92683  
PH 949-541-2294  
*This was the prior company owned by our  
predecessor, now a franchisee*

#### **FRANCHISEES NOT YET OPEN**

8 LEAVES PROPERTIES, LLC  
12121 West Olympic Blvd Suite 2,  
Los Angeles, CA 90064  
PH 661-246-9310

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#### **FORMER CALIFORNIA FRANCHISEES (Past fiscal year);**

Ceralanco Ca, LLC  
9636 Garden Grove Blvd #2  
Garden Grove, CA 92844

QUING GENG  
14291 Euclid St., D106-107  
Garden Grove, CA 92843

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**Franchisees who have not communicated with Franchisor within past 10 weeks from disclosure date:**

**NONE**

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**TOTAL PRESOTEA UNIT LOCATIONS in US AS OF DECEMBER 31, 2023 (Opened by all Master Franchisees who have subfranchised Presotea stores, including the above units):**

**California**

9211 Bolsa Ave Suite 105, Westminster CA 92683  
4343 Mission Blvd, SUITE 104 San Diego, CA 92109  
41 Auto Center Dr Suite 109A, Foothill Ranch, CA 92610  
201 W. Center St. Promenade Anaheim, CA 92805  
2222 Michelson Drive, Suite 202, Irvine, CA 92612  
19171 Magnolia Street, Unit 3, Huntington Beach, CA 92646  
21213 Hawthorne Blvd Torrance, CA 90503  
4875 W Mission Blvd., Unit F Montclair, CA 91763  
1345 Allen Rd, Bakersfield CA 93314  
1100 Manhattan Ave, Suite 102, Los Angeles, CA 90266  
10790 Rancho Bernardo Rd, Unit 127, San Diego CA 92127  
3720 Gosford Rd., Suite A, Bakersfield, CA 93309  
6616 Laguna Blvd., Suite 120, Elk Grove, CA 95758  
300 Carlsbad Village Dr., Suite 201B, Carlsbad CA 92008

**Colorado**

18662 E Hampden Avenue, Aurora, CO 80013

**Florida**

3268 Forum Blvd, #205 Ft. Myers, FL. 33905  
3833 Pleasant Hill Rd, Store B112, Kissimmee, FL, 34746

**Kansas:**

2540 Iowa St. Suite C, Lawrence, KS 66046

**Michigan**

4096 Haggerty Rd, Commerce Township, MI 48390  
3039 E Walton Blvd. Auburn Hills, Michigan 48326

**Nebraska:**

3714 Cimarron Ave., Ste. 210 Hasting, NE 68901

**Texas:**

633 E 42nd St Odessa, TX 79762  
4416 Briar Wood Ave., Suite 112, Midland, TX 79707  
4975 S. Hulen St. Fort Worth, TX 76132  
980 US Hwy 287, N. Frontage Road, Unit 200, Mansfield, TX 76063

**Utah:**

7710 Union Park Ave, Midvale, Utah 84047

**FRANCHISE DISCLOSURE DOCUMENT**  
**Attachment D**  
**OPERATIONS MANUAL TABLE OF CONTENTS**

# PRESOTEA

## OPERATIONS MANUAL TABLE OF CONTENTS

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# FRANCHISE DISCLOSURE DOCUMENT

## Attachment E

### STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

#### CALIFORNIA

Department of Financial  
Protection and Innovation  
320 West 4th Street,  
Suite 750  
Los Angeles, CA  
1-866-275-2677

Agent: California Commissioner of  
Financial Protection and Innovation

#### MARYLAND

Office of the Attorney  
General Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

Agent: Maryland Securities  
Commissioner 200 St. Paul Place  
Baltimore, Maryland 21202-2020

#### HAWAII

Securities Examiner  
1010 Richards  
Street  
Honolulu, Hawaii 96813

Agent: Director of Hawaii  
Department of Commerce and  
Consumer Affairs

#### MICHIGAN

Consumer Protection Division  
Antitrust and Franchise Unit  
Michigan Department of  
Attorney General  
670 Law Building  
Lansing, Michigan 48913

Agent: Michigan Department of  
Commerce Corporations and Securities  
Bureau

#### ILLINOIS

Franchise Division  
Office of Attorney  
General 500 South  
Second Street  
Springfield, Illinois 62706

Agent: Illinois Attorney  
General

#### MINNESOTA

Minnesota Department of  
Commerce 85 7<sup>th</sup> Place East,  
Suite 500  
St. Paul, Minnesota 55101

Agent: Minnesota Commissioner of  
Commerce

## INDIANA

Franchise Section  
Indiana Securities  
Division Room E-111  
302 West Washington  
Street Indianapolis,  
Indiana 46204

Agent: Indiana Secretary of State  
Indiana Securities Division 201  
State House  
Indianapolis, IN 46204

## NEW YORK

Bureau of Investor Protection and  
Securities  
New York State Department of Law  
23rd Floor  
120 Broadway  
New York, New York 10271

Agent:  
New York Secretary of State  
99 Washington Ave  
Albany, NY 12231

## NORTH DAKOTA

Office of Securities  
Commissioner Fifth Floor  
600 East Boulevard  
Bismarck, North Dakota 58505

Agent: North Dakota Securities  
Commissioner

## OREGON

Department of Insurance and  
Finance Corporate Securities  
Section  
Labor and Industries Building  
Salem, Oregon 97310

## NEBRASKA

Nebraska Department  
of Banking and Finance  
1200 N Street  
P.O. Box 95006  
Lincoln, Nebraska 68509-5006

## SOUTH DAKOTA

Division of  
Securities c/o 118  
West Capitol  
Pierre, South Dakota  
57501 (605) 773---4013

Agent: Director of South Dakota  
Division Securities

## TEXAS

Secretary of State  
P.O. Box 12887 Austin,  
Texas 78711

## WISCONSIN

Securities and Franchise Registration  
Wisconsin Securities Commission  
P.O. Box 1768

Agent: Wisconsin Commissioner of  
Securities

## VIRGINIA

Agent: Director of Oregon Department of  
Insurance and Finance  
State Corporation Commission  
1300 East Main Street  
Richmond, Virginia 23219

Agent: Clerk of the State  
Corporation Commission

RHODE ISLAND

Division of  
Securities Suite 232  
233 Richmond Street  
Providence, Rhode Island  
02903

Agent: Director of Rhode Island  
Department of Business Regulation

WASHINGTON

Director  
Department of Financial  
Institutions Securities Division  
P.O. Box 9033  
Olympia, Washington 98507

Agent: Securities Administrator, Director  
of Department of Financial Institutions

# FRANCHISE DISCLOSURE DOCUMENT

## Attachment F

### State Specific Addenda

#### **California Addendum to FDD and Franchise Agreement**

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

Neither the franchisor nor any person identified in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

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

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.)

The Franchise Agreement contains a covenant not to compete that continues after the termination of the franchise. This provision may not be enforceable under California law.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in a Franchise Agreement that requires you to waive your rights under either or both of these laws is void. Any release of claims that the franchisor asks you to sign will specifically exclude claims under these franchise laws.

Section 31125 of the California Corporations Code requires the franchisor to give the franchisee a special disclosure document before soliciting a proposed material modification of an existing franchise.

The franchise agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur at Orange County, California. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to

any provisions of a franchise agreement, restricting venue to a forum outside the State of California.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (1) 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.

OUR WEBSITE AND WEBSITE ADDRESS [WWW.PRESOTEACA.COM](http://WWW.PRESOTEACA.COM) REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

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.

Both the Governing Law and Choice of Law for Franchisees operating outlets located in California, will be the California Franchise Investment law and the California Franchise Relations Act regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the franchise agreement or amendment to or any agreement to the contrary is superseded by this condition.

## **Illinois**

Many states have statutes concerning the relationship between franchisor and franchisee. These statutes deal with such matters as renewal and termination of franchises. Provisions of

this sort will prevail over inconsistent terms in a franchise agreement. Illinois has such a statute (915 ILCS 705/19 and 705/20).

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.).

The Franchise Agreement includes a choice of law clause designating another state's law as the governing law. Under Illinois law, a Franchise Agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Item 17 w. is amended to state "none" under the heading for "Summary." The Franchise Agreement is amended to omit the California choice of law section.

The Franchise Agreement requires franchisee to sign a release of claims as a condition for transfer or renewal of the franchise. Under the law of Illinois, any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise disclosure law of Illinois is void. Accordingly, insofar as the Franchise Agreement requires franchisee to waive franchisee's rights under the Illinois franchise law, these requirements are deleted from the Franchise Agreement. This provision will not prevent the franchisor from requiring franchisee to sign a release of claims as part of a negotiated settlement of a dispute.

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.

## **Maryland**

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.).

The Franchise Agreement says that franchisor may require franchisee to sign a release of claims, other than claims that may not be waived in advance under applicable law, as a condition of renewal or transfer of your franchise. Under Maryland law, the release will not apply to any liability under the Maryland Franchise Registration and Disclosure law.

Under the Franchise Agreement, franchisee must disclaim the occurrence and/or acknowledge the non-occurrence of acts that might constitute a violation of the Maryland franchise law. These representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the franchise is granted.

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.

### **Michigan**

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

- (a) A prohibition on the right of a franchisee to join an association of franchises.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on

terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

Failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

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

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

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

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

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

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

A FRANCHISE SHALL NOT BE SOLD IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST TEN (10) BUSINESS DAYS BEFORE THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT OR AT LEAST TEN (10) BUSINESS DAYS BEFORE THE RECEIPT OF ANY CONSIDERATION,



WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE STATEMENT DESCRIBED IN THIS STATUTE.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to: Consumer Protection Division  
Attn: Marilyn McEwen 670 Law Building  
Lansing, Michigan 48913  
(517) 373-7117

### **Minnesota**

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Minnesota, with costs being borne by the non-prevailing party. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

The Franchise Agreement requires application of the laws of a state other than Minnesota. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C. 14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement.

The Franchise Agreement requires you to sign a release of claims as a condition of renewing or transferring a franchise. Minnesota Rule Part 2860.4400J prohibits franchisor from requiring franchisee to sign a release of claims arising under the Minnesota Franchise Law. Therefore, any release we require you to sign will exclude claims arising under the Minnesota Franchise Law.

The Franchise Agreement provides that franchisor is entitled to a temporary injunction or decree of specific performance. The Franchise Agreement is amended to provide that we are entitled to seek a temporary injunction or decree of specific performance if we can demonstrate to a court of competent jurisdiction that there is substantial likelihood of franchisee's breach or threatened breach of any of the terms of the Franchise Agreement, not that franchisor is necessarily entitled to obtain this relief.

Under Minnesota law, any claim arising under §80C may be brought within three years after the cause of action accrues. The Franchise Agreement is amended to provide for a three-year period within which to bring any Minnesota claims.

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

### **New York**

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH FRANCHISEE ABOUT ITEMS COVERED IN THIS PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

Except as stated in Item 3 of this Disclosure Document, neither the franchisor, its predecessor or predecessors nor any person or sales agent identified in Item 2 of this Disclosure Document: (i) has pending any administrative, criminal, or material civil action (or a significant number of civil actions irrespective of materiality) alleging a felony, violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (ii) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (iii) is subject to any injunctive or restrictive order or decree relating to franchises or under Federal or State franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

Neither the franchisor, its affiliate, its predecessor, officers, nor general partner during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

The introduction to Item 17 is amended to read as follows:

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.

The Summary column of Item 17d is amended to read: "You may terminate upon any grounds permitted by law."

The Summary column of Item 17j is amended to read: "We may assign only to a financially responsible assignee that we reasonably believe is capable of performing its obligations under the franchise agreement and which expressly assumes these obligations in writing."

The Summary column in Item 17w is amended to add the following: "The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33."

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.

### **North Dakota**

In North Dakota, the Disclosure Document is amended as follows to conform to North Dakota law:

Item 17c is revised to omit any requirement that a general release be signed as a condition of renewal.

Item 17r is amended to add the following: "To the extent that covenants not to compete apply to periods after the term of the franchise, they are generally considered unenforceable in the State of North Dakota."

Item 17u is amended to omit any reference to the location or mediation or arbitration.

Item 17w is amended to state "None."

### **Rhode Island**

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of Item 17v and Item 17w of the Disclosure Document, any litigation or arbitration arising under the Franchise Agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor.

To the extent required by §19-28.1-14 of the Rhode Island Franchise Investment Act, the Franchise Agreement will be governed by the laws of the State of Rhode Island.

### **South Dakota**

The Franchise Agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law. The Franchise Agreement provides for arbitration in a state other than South Dakota. Under South Dakota law, arbitration must be conducted at a mutually agreed upon site in accordance with §11 of the Commercial Arbitration Rules of the American Arbitration Association.

The Franchise Agreement designates the law of a state other than South Dakota as the governing law, except that trademark issues are to be under the Landham Act. Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota, but contractual and all other matters will be subject to application, construction, enforcement and interpretation under the governing law specified by the Franchise Agreement.

Under South Dakota law, any provision in a Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota.

Under South Dakota law, termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the Disclosure Document and Franchise Agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure the default prior to termination. Under SDL any

condition, stipulation or provision purporting to waive compliance with any provision of this chapter, or any rule or order is avoid.

An acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate the South Dakota franchise law or a rule or order under the South Dakota franchise law.

### **Washington**

The State of Washington has a statute, RCW 19.100.180, that may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of the franchise.

In Washington, provisions of the Franchise Agreement, which unreasonably limit the statute of limitations or remedies under the Washington Franchise Investment Act, such as the right to jury trial, may not be enforceable.

The Franchise Agreement requires application of the laws of a state other than Washington. If there is a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chap. 19.100 RCW, will prevail.

The Franchise Agreement requires franchisee to sign a release of claims as a condition of renewing or transferring the franchise. A release or waiver of rights signed by a franchise owner may not include rights under the Washington Franchise Investment Protection Act.

Under Washington law, transfer fees may be collected only to the extent that they reflect the franchisor's reasonable estimated or actual costs in connection with the transfer.

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.

# FRANCHISE DISCLOSURE DOCUMENT

## Attachment G

### General Release

This General Release ("Release") is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between **MSY MANAGEMENT, INC.**, ("Franchisor") and \_\_\_\_\_ ("Franchisee") with regard to the following Recitals.

### RECITALS

**WHEREAS**, Franchisor and Franchisee are parties to an **Presotea** Franchise Agreement (the "Franchise Agreement") dated \_\_\_\_\_, 20\_\_\_\_, granting Franchisee the right to operate an **Presotea Shop** business under Franchisor's proprietary marks and system at the following location:  
\_\_\_\_\_:

**WHEREAS**, Franchisee is requesting Franchisor's consent to a transfer, or requesting a renewal term or requesting Franchisor's consent to \_\_\_\_\_; and Franchisor is willing to grant such consent in consideration for Franchisee signing this Release.

**NOW THEREFORE**, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

Franchisee, for itself and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the "Releasors"), irrevocably and absolutely releases and forever discharges Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the "Releasees"), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Franchise Agreement, the business operated under the Franchise Agreement, and/or any other agreement between any of the Releasees and any of the Releasors.

The Releasors, and each of them, also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release.

Franchisee hereby waives the provisions of California Civil Code section 1542, which provides:

"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."

And any other similar provision in any other jurisdiction.

**IN WITNESS WHEREOF**, the parties hereto have executed this Release as of the date first above written.

**MSY MANAGEMENT, INC.,**

**FRANCHISEE**

By: \_\_\_\_\_

\_\_\_\_\_

**MELANIE YI, President**

# **FRANCHISE DISCLOSURE DOCUMENT**

## **Attachment H**

### **Receipts**



**Item 23**  
**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all Exhibits carefully.

If MSY MANAGEMENT, INC., offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. (New York requires the franchisor to provide the franchisee a disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that related to the franchise relationship.)

If MSY MANAGEMENT, INC., does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state agencies listed in Attachment E. MSY MANAGEMENT, INC., authorizes the respective Agents identified on Attachment E to receive service of process for us in the particular state.

The Franchisor is:

MSY Management, Inc., 170 E. Yorba Linda Rd., #1035, Placentia, CA 92870 PH 714-623-7934

The franchise seller(s) involved in offering and selling the franchise to you are: (PLEASE CHECK)

☐ Melanie Yi 170 E. Yorba Linda Rd., #1035, Placentia, CA 92870; PH 714-623-7934

☐ Shawn Yi 170 E. Yorba Linda Rd., #1035, Placentia, CA 92870; PH 714-623-7934

☐ Nate Yi 170 E. Yorba Linda Rd., #1035, Placentia, CA 92870; PH 714-623-7934

☐ Ethan Yi 170 E. Yorba Linda Rd., #1035, Placentia, CA 92870; PH 714-623-7934

I have received a Franchise Disclosure Document, issued JULY 19, 2024. This disclosure document includes the following Attachments:

ATTACHMENT A	Financial Statements
ATTACHMENT B	Franchise Agreement with Exhibits
ATTACHMENT C	List of Current and Former Franchisees
ATTACHMENT D	Table of Contents for Manual
ATTACHMENT E	State Administrators and Agents for Service of Process
ATTACHMENT F	State Specific Addenda
ATTACHMENT G	General Release
ATTACHMENT H	Receipts

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

Franchisee: \_\_\_\_\_

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

Franchisee: \_\_\_\_\_

KEEP THIS COPY FOR YOUR RECORDS

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The franchise seller(s) involved in offering and selling the franchise to you are (Please check):

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

Franchisee: \_\_\_\_\_

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

Franchisee: \_\_\_\_\_

RETURN THIS PAGE TO:

**MSY Management, Inc.**  
**170 E. Yorba Linda Rd., #1035, Placentia, CA 92870**