

2024 Franchise Disclosure Document



FRANCHISE DISCLOSURE DOCUMENT



Tastea Franchising, LLC

A California Limited Liability Company

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Garden Grove, California 92841

Telephone (714) 894-0285

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www.gotastea.com

The franchises offered in this Franchise Disclosure Document (the “Disclosure Document”) is for the operation of Tastea tea bars (“Tastea Tea Bars”) serving handcrafted fresh smoothies, teas, and other specialty beverages and fried food items in a quick-service restaurant environment under the “Tastea” trade name and trademarks.

Under the Single Tastea Tea Bar Program, you will sign a Franchise Agreement to operate a single Tastea Tea Bar. We estimate your total initial investment to begin operations of a single Tastea Tea Bar will range from approximately \$251,600 to \$551,900. Included in the estimate is \$52,000 to \$57,000 that must be paid to us or our affiliate which is comprised of the Initial Franchise Fee of \$40,000 and \$12,000 to \$17,000 in fees and expenditures.

Under the Purchase Program, you will purchase an existing and operating company-owned Tastea Tea Bar (an “Operating Tastea Tea Bar”) from our affiliate. We estimate your total initial investment to begin operations of an Operating Tastea Tea Bar will range from approximately \$450,000 to \$1,392,000. Included in the estimate is \$422,000 to \$1,330,000 that must be paid to us or our affiliate which is comprised of the purchase price of the Operating Tastea Tea Bar ranging from \$375,000 to \$1,250,000, the Initial Franchise Fee of \$40,000, and \$7,000 to \$40,000 in prepaid rent and security deposits.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of receiving this Disclosure Document in a different format, contact our Managing Member, Theodore Vu, 11612 Knott Street #G5, Garden Grove, California 92841, (714) 894-0285.

The terms of your written contracts with us will govern your franchise relationship. Don't rely on this Disclosure Document alone to understand your contract. Read all of your contracts carefully. Show your contracts and this Disclosure Document to an advisor, like a lawyer or accountant. If there is any conflict or inconsistency between this Disclosure Document and your contracts, your contracts control and you should rely on your contracts.

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 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.

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS JUNE 29, 2024.

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How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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 Risk(s) to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement , and Asset Purchase Agreement require you to resolve disputes with Tastea Franchising, LLC by mediation only in Orange County, California. Out-of-state mediation may force you to accept a less favorable settlement for disputes. It may also cost you more to participate in mediation with Tastea Franchising, LLC in California than in your home state.
2. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the Franchisor, its affiliates, or Approved Suppliers that the Franchisor designates, at prices the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
3. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check Exhibit G, “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

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TASTEA FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

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EXHIBITS

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

To simplify the language in this Disclosure Document, Tastea Franchising, LLC is referred to as "Franchisor", "we", "us", or "our". The business entity, person or persons franchising a Tastea Tea Bar from us is referred to as "Franchisee", "you" or "your" in this Disclosure Document. We are a California limited liability company formed on September 9, 2013. Our principal business address is 11612 Knott Street #G5, Garden Grove, California 92841. Other than the franchise types described in this Disclosure Document, we have never offered franchises in any other line of business.

Franchisor's Parents, Predecessors and Affiliates

We have no predecessors. Our parent company, Tastea Holdings, LLC, a California limited liability company formed on September 27, 2017, is the sole owner of the following business entities collectively referred to as our "affiliates":

- Tastea IP, LLC, a California limited liability company formed on October 5, 2018 with a principal office located at 11022 Winners Circle, Floor 2, Los Alamitos, California 90720, which owns the trade name "Tastea" and other related trademarks, service marks, logos and commercial symbols that we license to you;
- Tastea Management, LLC, a California limited liability company formed on September 6, 2017 with a principal office located at 11022 Winners Circle, Floor 2, Los Alamitos, California 90720, which manages and owns the company-owned Tastea Tea Bars;
- Vitalitea, LLC, a California limited liability company formed on December 23, 2013 with a principal office located at 11612 Knott Street #G5, Garden Grove, California 92841, which operates a company-owned Tastea Tea Bar located in Costa Mesa, California;
- ST Tea, LLC, a California limited liability company formed on August 7, 2013 with a principal office located at 11612 Knott Street #G5, Garden Grove, California 92841, which warehouses, distributes and sells goods to our Franchisees via a third party;
- NMST, LLC, a California limited liability company formed on June 3, 2010 with a principal office located at 11612 Knott Street #G5, Garden Grove, California 92841, which operates a company-owned Tastea Tea Bar located in Rowland Heights; and

- Tastea LLC, a California limited liability company formed on March 19, 2001 with a principal office located at 11612 Knott Street #G5, Garden Grove, California 92841, which operates a company-owned Tastea Tea Bar located in Garden Grove, California.

Our Business and Franchise Offered

We have developed the Tastea system (“Tastea System”) for the operation of Tastea Tea Bars which all use the same trade name “Tastea” and other related trademarks, service marks, logos and commercial symbols (collectively, the “Tastea Marks”). We began offering Tastea franchises in 2014. We grant franchises for the operation of Tastea Tea Bars whose primary gross sales are from the sale of handcrafted fruit and milk-based tea drinks, iced tea, iced and cold brew coffee, smoothies, and slushies with add-on options. Tastea Tea Bars also offer a limited menu of fried specialty “Good Eats” items currently consisting of Asian style and seasoned French fries, hand-battered popcorn chicken and shrimp. We offer three (3) separate franchises in this Disclosure Document, though we may not necessarily allow you the opportunity to invest or purchase under any of these programs.

Single Tastea Tea Bar Program

Under this program, you will sign a Franchise Agreement in substantially the form of Exhibit A to this Disclosure Document (the “Franchise Agreement”) to operate a single Tastea Tea Bar at a location which you choose and which we accept (the “Franchised Location”).

Purchase Program

Under our purchase program, you, as buyer (“Buyer”), will purchase a company-owned and operating Tastea Tea Bar (an “Operating Tastea Tea Bar”) from one of our affiliates. You will sign an Asset Purchase Agreement in substantially the form of Exhibit B to this Disclosure Document (the “Asset Purchase Agreement”) to acquire certain assets of the Operating Tastea Tea Bar and will sign a Franchise Agreement to operate the Operating Tastea Tea Bar when you purchase those assets of the Operating Tastea Tea Bar. You will also sign an Addendum for Tea Bar Purchase in substantially the form of Exhibit E to the Franchise Agreement (the “Purchase Addendum”) that will change certain terms of the Franchise Agreement to apply to an Operating Tastea Tea Bar.

Under any of our franchise programs, franchisees, or Buyers may be individuals or entities who meet our then current requirements for franchisees or Buyers. These requirements may include the signing of personal guarantees in substantially the form of Exhibit C to the Franchise Agreement by some or all of the individuals holding an equity interest in the franchisee or Buyer. In addition, you, and each of your affiliates who has a currently effective Franchise Agreement with us, must sign a General Release in substantially the form of Exhibit F to this Disclosure Document, as a condition to entering into a new Franchise Agreement. The term “Tastea Tea Bar” in this Disclosure Document will include an Operating Tastea Tea Bar unless this Disclosure Document specifically states or the context requires otherwise.

If you are signing a new Franchise Agreement for the renewal of an existing franchise, some of the terms of the new Franchise Agreement may be modified or different from the terms of your existing Franchise Agreement.

Competition

The typical Tastea Tea Bar is on a major thoroughfare or in or adjacent to a retail shopping center. You will compete in the tea, smoothie, and coffee business with various established independent local tea and coffee shops and regional or national chain outlets specializing in tea, smoothie, coffee and other beverages as well as with other tea or coffee shops and take-out facilities selling other kinds of beverages or specialty drinks. You may also compete with other Tastea Tea Bars, both franchise and company-owned outlets. Many tea and coffee shops specialize in tea, smoothie, coffee and other beverage products and there is competition in the tea, smoothie and coffee business in general.

Special Industry Regulation

Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Tastea Tea Bar, including those which (i) establish general standards, specifications and requirements for the construction, design and maintenance of Tastea Tea Bar premises; (ii) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for tea, smoothie and coffee shops; employee practices concerning the storage, handling, cooking and preparation of food and beverages; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (iii) set standards pertaining to employee health and safety; (iv) set standards and requirements for fire safety and general emergency preparedness; (v) govern the use of vending machines; and (vi) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Tastea Tea Bar and should consider both their effect and cost of compliance.

In addition, you must comply with all local, state, and federal laws that apply to your Tastea Tea Bar, including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled people and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, etc. You must obtain all required real estate permits, licenses and operational licenses. California law requires each food facility that meets specified criteria (which cover franchised outlets with at least 19 other franchised outlets with the same name among certain other food facilities) to provide nutritional information that includes, per standard menu item, the total number of calories, grams of saturated fat, grams of trans fat, and milligrams of sodium and to have menu boards to include the total number of calories. Other states and cities may have laws similar to these California laws. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Tastea Tea Bar.

ITEM 2

BUSINESS EXPERIENCE

Managing Member: Theodore Vu

Ted has been a Managing Member of our organization since September 2013. Ted also as serves as a managing member of the following affiliates: Tastea IP, LLC in Los Alamitos, California, since 2018; Tastea Management, LLC in Los Alamitos, California, since 2017; Vitalitea, LLC in Garden Grove, California, since 2013; ST Tea, LLC in Garden Grove, California, since 2013; NMST, LLC in Garden Grove, since 2010. Ted is also a Managing Member of Bite Mi Holdings, LLC, a California limited liability company since July 22, 2019 located in Los Alamitos, California, which is not affiliated with us.

Managing Member: Scott Nguyen

Scott has been a Managing Member of our organization since September 2013. Scott also as serves as a managing member of the following affiliates: Tastea IP, LLC in Los Alamitos, California, since 2018; Tastea Management, LLC in Los Alamitos, California, since 2017; Vitalitea, LLC in Garden Grove, California, since 2013; ST Tea, LLC in Garden Grove, California, since 2013; NMST, LLC in Garden Grove, since 2010. Scott is also a Managing Member of Bite Mi Holdings, LLC, a California limited liability company since on July 22, 2019 located in Los Alamitos, California, which is not affiliated with us.

Managing Member: Nhan Vuong, CPA, CVA

Nhan has been a Managing Member of our organization since September 2013. Nhan also as serves as a managing member of the following affiliates: Tastea IP, LLC in Los Alamitos, California, since 2018; Tastea Management, LLC in Los Alamitos, California, since 2017; Vitalitea, LLC in Garden Grove, California, since 2013; ST Tea, LLC in Garden Grove, California, since 2013; NMST, LLC in Garden Grove, since 2010. Nhan is also a Managing Member of Bite Mi Holdings, LLC, a California limited liability company, since July 22, 2019, located in Los Alamitos, California, and THH Holdings, LLC, a California limited liability company since July 12, 2019, also located in Los Alamitos, California, which are not affiliated with us. Since 2005, Nhan has also been a partner in FHWV Partners LLP, in Los Alamitos, California since 2005.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

Initial Franchise Fee and Prepaid Expenses

Single Tastea Tea Bar Program

At the time you sign the Franchise Agreement (Exhibit A) under the Single Tastea Tea Bar Program, you must pay us \$64,500. This payment is comprised of (i) the initial franchise fee (the “Initial Franchise Fee”) of \$40,000, (ii) a Loyalty Rewards Program Setup fee \$1,000, and (iii) an Online Ordering and Delivery Setup fee of \$1,000 (See Item 7).

If you are signing a new Franchise Agreement with the renewal of an existing franchise, you will pay us a renewal fee in place of an Initial Franchise Fee when you sign the new Franchise Agreement as provided in your existing Franchise Agreement.

Purchase Program

At the time you complete the asset purchase transaction for an Operating Tastea Tea Bar and sign the Franchise Agreement, you must pay us the Initial Franchise Fee of \$40,000. You must also pay our affiliate the purchase price for the assets of the Operating Tastea Tea Bar, which will generally range from \$375,000 to \$1,250,000 and pre-paid rent and security deposits that generally range between \$7,000 and \$40,000.

Refunds and Different Fees

The Initial Franchise Fee, Development Fee and other prepaid expenses imposed by and payable to us are fully earned by us when paid and are not refundable under any circumstances. We may reduce, defer or waive the Initial Franchise Fee or Development Fee if and when we determine it is warranted by a unique or compelling situation.

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ITEM 6 OTHER FEES

Type of Fee ¹	Amount	Due Date	Remarks
Royalty Fee	6% of monthly Gross Sales	Wednesday of each week on the Gross Sales of your Tastea Tea Bar during the previous week	Gross Sales include all revenue from your Tastea Tea Bar operations. Gross Sales do not include the amount of bona fide refunds paid to customers and amount of any sales or use taxes actual paid to any governmental authority and the retail price of any coupons, gift certificates, and vouchers when they are redeemed.
Marketing Fee	1% of Gross Sales	Same as Royalty Fee	This fee is due and payable at the same time as the Royalty Fee and is used to conduct regional and national advertising, marketing, and promotional programs to maximize general public recognition and acceptance of the Tastea Marks for the benefit of the Tastea System and all Franchisees.
Local Advertising	1% of Gross Sales	Payable to advertisers as incurred	Payable directly to the advertisers you select to conduct local advertising in the trade area where your Tastea Tea Bar is located and draws most of its business.

Type of Fee ¹	Amount	Due Date	Remarks
Point of Sale (POS) System License / Subscription Fee	Currently, \$370 to \$430 per month depending on your POS System configuration plus upfront cost of financed purchase	Payable to supplier at time of billing	This monthly fee is to finance and maintain your POS System which will enable you to accept credit cards, cash, check, gift cards and other non-cash forms of payment we specify so that customers can purchase authorized products.
Loyalty Rewards Program Monthly Fee	Currently, \$300 per month	Monthly	This monthly fee is to maintain and manage our Loyalty Rewards Program, which includes tracking and managing gift card redemptions and managing customer engagements connected with our customer loyalty and rewards programs.
Online Ordering and Delivery Monthly Fee	Currently, \$300 per month	Monthly	This monthly fee is used to maintain our Online Ordering and Delivery Program to enable customers to order online and receive delivery of authorized products at a place of their convenience.
Online Training and Knowledge Database License / Subscription Fee	Currently, \$75 to \$100 per month	Payable to supplier at time of billing	This monthly fee is used to maintain our Online Training and Knowledge Database for your on-demand employee training, use and reference.

Type of Fee ¹	Amount	Due Date	Remarks
Late Charge	\$200 plus 1 and 1/2% on the amount outstanding per month, not to exceed the maximum interest rate allowed by law, from the date payment was due until paid in full ² . The highest interest rate in California is 10% annually.	Continues to accrue until paid	Payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or if any sums due to us are not paid promptly when due.
Additional Initial Training Fee	Currently, \$300 per trainee per day	On demand	We will provide an Initial Training Program at no cost for 2 people whom you designate as the Operating Partner and General Manager of your Tastea Tea Bar. If you send more than those 2 people to the Initial Training Program, or if we require your Operating Partner or General Manager to retake the Initial Training Program or any part of it, you must pay this Additional Initial Training Fee per day per trainee. You are responsible for paying for your, your management's, and employees' travel, lodging, meals and other expenses incurred in connection with the Initial Training Program.

Type of Fee ¹	Amount	Due Date	Remarks
Additional Training Program Fee	Currently, \$300 per trainer per day plus their out of pocket expenses, including travel, lodging and meals	On demand	We have the right to charge for additional training we may provide or require you, your management or key employees to attend at a location to be designated by us. Required additional training may be applicable in cases of default, or if you fail to pass our inspections, or fail to perform to our operating standards. You are responsible for paying your, your management's, and employees' travel, lodging, meals and other expenses incurred in connection with the Additional Training Program. If we are providing this training at your Franchised Location, you must reimburse us within reason for travel, lodging, meals and other expenses incurred in connection with the Additional Training Program.
Additional Site Design Assistance Fee	Currently, \$300 per person per day plus our out of pocket expenses, including travel, lodging and meals	On demand	Payable if we need to travel to your Franchised Location for us to provide you with the design layout for your Tastea Tea Bar.
Manual Replacement Fee	\$500	On demand	Payable if you misplace the Manuals or fail to return them to us upon demand.

Type of Fee ¹	Amount	Due Date	Remarks
Re-Inspection Fee	\$500 per re-inspection	On demand	Payable if we must revisit your Taster Tea Bar for another inspection after you have already been notified of any deficiency or unsatisfactory condition at your Taster Tea Bar, including quality, cleanliness, service, and health.
Insurance	Amount of unpaid premiums and our out of pocket costs	On demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Transfer Fee	\$10,000	On demand	Payable if you transfer or assign your Franchise Agreement.
Liquidated Damages	An amount equal to twice the total Royalty Fees paid, or if unpaid, payable by you during the twelve (12) months immediately preceding the effective date of termination	Within thirty (30) days following the date of termination.	Payable only if you are in material default and we terminate your Franchise Agreement.
Default Reimbursement Fee	Our actual costs or expenses	As incurred	Payable only if you are in material default under the Franchise Agreement to reimburse us for costs and expenses from your default not relating to our attorneys' fees.

Type of Fee ¹	Amount	Due Date	Remarks
Attorneys' Fees	Our actual costs or expenses	As incurred	This fee is to reimburse us for our attorneys' fees in obtaining injunctive relief, enforcing, or terminating any agreements between us and you, including any Franchise Agreement.
Indemnification	Our actual costs or expenses	As incurred	You must reimburse us for all our losses, costs, and expenses, including attorneys' fees, incurred by us from claims arising or resulting from your operations of your Tastea Tea Bar.
Audit	Cost of audit plus interest rate allowed by law (not to exceed 18%) ² .	On demand	Payable only if audit shows an understatement of 3% or more of Gross Sales.
Interim Management Fee	10% of Gross Sales	On demand	Payable if you are in material default under the Franchise Agreement and we elect to assume interim management of your Tastea Tea Bar during the pendency of any cure period or in lieu of immediately terminating your Franchise Agreement.
Renewal Fee	\$5,000	When you deliver a renewal notice to us for your Franchise Agreement.	This \$5,000 renewal fee will be in lieu of the Initial Franchise Fee payable when you "renew" your Franchise Agreement.

Type of Fee ¹	Amount	Due Date	Remarks
Gross Up Fees	Varies with circumstances.	On demand	To insure that we receive a full 6% of Gross Sales as a Royalty Fee that is due, you must pay us, whether in arrears, in advance, in a lump sum or in the same manner that you pay us Royalty Fees, the amount of all taxes we must pay on revenue we earn or collect based upon your use of our intellectual property or other intangibles or based upon the existence of the Franchise Agreement.
Sanitation and Food Safety Audits	Cost of inspection	On demand	We may, in our sole discretion, contract with a third party to conduct sanitation and food safety audits of your Tastea Tea Bar from time to time during the term of your Franchise Agreement, but no less than once per calendar year.

Type of Fee ¹	Amount	Due Date	Remarks
New Product and Supplier Testing	Reasonable cost of inspection and actual cost of testing; \$1000 must be paid as deposit	As incurred with the \$1,000 fee paid as a deposit before facility inspection	If you propose to purchase any goods or materials from a supplier that we have not previously approved, you must submit a written request to us for approval or you must request the supplier itself to do so. We have the right to require, as a condition of our approval, that our representatives are permitted to inspect the supplier's facilities, and that you deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we designate for testing. You must pay us a fee which will not to exceed the reasonable cost of the inspection and the actual cost of the test.
Prohibited Products, Services, and Non-Compliance with Operating or System Standards	\$300 per day for use of unauthorized products or services or non-compliance with operating or system standards	On demand	This fee is payable if you continue to sell or purchase an unauthorized product or service or continue to be in non-compliance with our operating or system standards after we have notified you to cease.

Type of Fee ¹	Amount	Due Date	Remarks
Annual Conference Fee	Currently, \$500	On demand, at least thirty (30) days before the date of the Annual Franchise Conference, whether or not you attend the Annual Franchise Conference	In the event we hold an Annual Franchise Conference for all Tastea Franchisees, you must pay us a Franchise Conference Fee, currently \$500, to reimburse us for a portion of the direct costs to provide the Annual Franchise Conference. You are also responsible for paying for your, your management's, and employees' travel, lodging, meals and other expenses incurred in connection with the Annual Franchise Conference.
Relocation Fee	50% of Initial Franchise Fee	Before relocation	This fee is to compensate us for services related to assistance provided in reviewing, accepting, and relocating your Tastea Tea Bar to a new location.

NOTES:

1. Unless otherwise noted, fees imposed and payable directly to us or our affiliates are nonrefundable. Also, fees payable to us or our affiliates are required to be made to us or our affiliate by electronic funds transfer or other automatic payment mechanism we designate.
2. Interest begins from the date of the underpayment or non-payment.

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ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT UNDER SINGLE TASTE TEA BAR PROGRAM

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee ¹	\$40,000	\$40,000	Lump Sum	At Signing of Franchise Agreement	Us
Pre-Construction Expenses ²	\$5,000	\$18,000	As Arranged	As Incurred	Approved Supplier
Construction Expenses / Leasehold Improvements ³	\$50,000	\$250,000	As Arranged	As Incurred	Approved Contractors
Furniture, Fixtures and Equipment	\$95,000	\$125,000	As Arranged	As Incurred	Approved Suppliers
Signage	\$4,000	\$6,500	As Arranged	As Incurred	Approved Supplier
Point of Sale (POS) System & Software ⁴	\$1,600	\$1,900	As Arranged	As Incurred	Approved Supplier
Computer and Related Equipment, TV, Audio, Video and Software ⁵	\$3,000	\$6,000	As Arranged	As Incurred	Various Vendors
Initial Inventory ⁶	\$10,000	\$15,000	As Arranged	As Incurred	Us and Approved Supplier
Store Opening Advertising Contribution ⁷	\$7,500	\$7,500	Lump Sum	As Incurred	Various Vendors

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Lease Deposit (1 Month's) ⁸	\$3,500	\$12,000	As Arranged	As Incurred	Lessor / Landlord
Prepaid Rent (1st Month's) ⁸	\$3,500	\$12,000	As Arranged	As Incurred	Lessor / Landlord
Insurance (Initial Premium)	\$1,000	\$2,000	As Arranged	Monthly Premium	Insurance Company
Professional Fees / Organization Expenses ⁹	\$0	\$1,500	As Arranged	As Incurred	Professional Advisors
Travel, Lodging, and Meal Expenses During Initial Training Program ¹⁰	\$500	\$2,500	As Arranged	As Incurred	Airlines, Hotels, & Restaurants
Loyalty Rewards Program Setup Fee ¹¹	\$1,000	\$1,000	Lump Sum	At Signing of Franchise Agreement	Us
Online Ordering and Delivery Setup Fee ¹²	\$1,000	\$1,000	Lump Sum	At Signing of Franchise Agreement	Us
Additional Funds (1st 3 Months) ¹³	\$25,000	\$50,000	As Arranged	As Incurred	Employees, Approved Suppliers, Utilities, Potential Deposits
TOTAL¹⁴	\$251,600	\$551,900			

YOUR ESTIMATED INITIAL INVESTMENT UNDER PURCHASE PROGRAM

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Purchase Price for Assets of Operating Tastea Tea Bar ¹⁵	\$375,000	\$1,250,000	Lump Sum	Upon Closing of Purchase	Our Affiliate
Initial Franchise Fee ¹	\$40,000	\$40,000	Lump Sum	At Signing of Franchise Agreement	Us
Pre-Paid Rent and Security Deposits ⁸	\$7,000	\$40,000	As Arranged	Upon Closing of Purchase	Our Affiliate
Insurance (Initial Premium)	\$1,000	\$2,000	As Arranged	Monthly Premium	Insurance Company
Professional Fees / Organization Expenses ⁹	\$2,000	\$10,000	As Arranged	As Incurred	Professional Advisors
Additional Funds (1st 3 Months) ¹³	\$25,000	\$50,000	As Arranged	As Incurred	Employees, Approved Suppliers, Utilities, Potential Deposits
TOTAL ¹⁵	\$450,000	\$1,392,000			

Unless otherwise noted or stated, all fees and payments imposed by and payable to us or our affiliate will be made by electronic funds transfer or other automatic payment mechanisms we designate and are fully earned and non-refundable. You authorize us to debit from your designated primary business checking or savings operating account for each week any funds are due and payable to us for Royalty Fees and all other sums that you owe to us or our affiliate. We currently do not offer financing for any purpose, but reserve the right to do so in the future. We do not guarantee your note, lease or other obligation.

Note 1: The Initial Franchise Fee is described in Item 5 of this Disclosure Document. The Initial Franchise Fee is payable to us upon signing of your Franchise Agreement if you franchise from us under the Single Bar Program or Purchase Program. The Initial Franchise Fee is non-refundable. We do not provide financing for the Initial Franchise Fee but may do so if and when we determine it is warranted by a unique or compelling situation.

Note 2: This estimate range includes costs for space plan layout, architectural, kitchen, mechanical, electrical, plumbing and related drawings, engineering, testing, permit expediter, and city permits and fees. You must use our designated architect or obtain our prior written consent to use an architect other than our designated architect.

Note 3: This estimate range includes costs incurred from project and construction management, construction, and remodeling of a location to conform to our current standards. These costs include the general contractor's fee, contractor's insurance, construction materials and supplies, tools, labor, subcontractor fees, and other leasehold improvement costs. You must perform construction, remodeling or additions necessary to cause the premises to conform to applicable federal, state, county, city, local laws, ordinances, codes, rules and regulations and meet our requirements for the design layout, construction, fixturation, equipment and installation, and trade dress appearance of a Tastea Tea Bar. Construction and remodeling costs vary widely and are dependent on such factors as location, prior use of the premises, design, the condition and configuration of existing services and facilities such as air conditioning, electrical and plumbing, lease terms and the local real estate market. You must grant us a security interest in and to all leasehold improvements, fixtures, furnishings, equipment, inventory, and supplies located at or used in connection with your Tastea Tea Bar. The cost of constructing a building shell is not included.

Note 4: This estimate range is for the cost to finance and operate a computerized cash accounting and point of sale (POS) system including onboarding and implementation (see Item 11) for the first three (3) months, including the required first and last month's payment under the financing plan, plus an additional two months. The estimates include a \$100 lender fee paid to the vendor. Our current vendor provides zero percent financing interest rate on hardware, software, and implementation purchases over 36 months for qualified franchisees. Your costs may vary depending on the selected configuration, geographic area, and sales tax rate. These terms may change by the time you purchase your POS system. We require you to use the same hardware and software as our company-owned Tastea Tea Bars and have the right to change and require you, at your expense, to change POS systems at any time upon ninety (90) days' notice.

Note 5: This estimate range is for the cost to purchase security cameras, a digital video recorder (DVR), televisions, a back-office computer, printer and related hardware and software, and an audio system for your Tastea Tea Bar.

Note 6: This estimate range is for your purchase of initial inventory which includes bar, kitchen and customer supplies, beverage ingredients, and food products before your Tastea Tea Bar can open and serve customers. You must purchase branded products and proprietary food and

beverage products from us or our affiliate. You may purchase non-branded products and non-proprietary food and beverage products from our approved vendors (See Item 8).

Note 7: You must spend at least this much on your Store Opening Advertising Contribution directly to the vendors you hire for the advertising, marketing and promotional program you develop and provide to use sixty (60) days before the opening of your Tastea Tea Bar.

Note 8: This estimate range assumes that your Franchised Location will be a leased unimproved or unfinished retail store type unit and that the landlord will require the first month's rent and a security deposit of one month's rent. Each landlord has its own requirements and some may require more than one month's rent as a security deposit. A typical Tastea Tea Bar will be located in a densely populated suburban or urban area, on a major thoroughfare, or adjacent to or part of a suburban or urban shopping center. A typical location will be 1,000 to 1,600 square feet. Monthly lease payments usually range from \$3,500 to \$10,000 per month and are dependent on a wide range of factors such as prevailing rental rates in the area, condition of the leased premises and shopping center, demographics, income level, and availability.

Note 9: This estimate range is for the cost of engaging an attorney, accountant, and other business advisors to assist you with (i) the review of this Disclosure Document, Franchise Agreement and other related franchise documents, lease and other agreements, and business plan, (ii) formation of a legal entity for your Tastea Tea Bar business, (iii) the setup of an accounting system, software and reports for your Tastea Tea Bar business and, (iv) the review of your compliance with federal, state, and local tax and payroll laws and tax-related matters relating to your Tastea Tea Bar business. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity.

Note 10: This estimate range is for the cost of sending your Operating Partner and General Manager to attend our Initial Training Program for two (2) weeks at our corporate training facility in Garden Grove, California or company-owned store in Southern California. We do not charge a tuition fee for the Initial Training Program. However, you will be responsible for any travel, lodging, meals, and other expenses incurred by you, your management, and your employees while attending the Initial Training Program. This estimate range does not include any pre-opening training salaries or wages for your management and employees.

Note 11: You will be required to participate in our Loyalty Rewards Program which we structured to provide incentives to repeat customers who demonstrate loyal buying behavior. The Loyalty Rewards Program Setup Fee is payable upon signing of your Franchise Agreement and is non-refundable.

Note 12: You will be required to make online ordering and delivery available to customers of your Tastea Tea Bar. The Online Ordering and Delivery Setup Fee is payable upon signing of your Franchise Agreement and is non-refundable.

Note 13: You must at all times maintain sufficient reserves and working capital to fulfill all your obligations under the Franchise Agreement and cover the risks and contingencies of your Taster Tea Bar for at least three (3) months during its start-up phase. This estimate range includes payroll, facility expenses, opening cash, utility deposits, fees, licenses, and other miscellaneous expenses incurred. This estimate range is the minimum recommended amounts to cover operating expenses for three (3) months. However, we cannot guarantee that these amounts will be sufficient. Additional working capital may be required if sales are low or fixed costs are high.

Note 14: This is the estimated range for your initial investment in a Taster Tea Bar. We relied on our Managing Members' experiences in establishing company-own Taster Tea Bars and other quick-serve restaurant businesses. We cannot guarantee that you will not have additional costs in starting a new Taster Tea Bar or purchasing an Operating Taster Tea Bar. Your costs may vary from our estimated range and will depend on a wide range of factors such as: how much you follow our methods and procedures; your management skills, experience, and business acumen; local economic conditions and market for your business; prevailing wage rates; amount of competition; whether you are leasing a restaurant or general retail space; whether you have to obtain additional permits and licenses; months of free rent; penalty provisions in the lease agreement for opening delays; construction costs; the time-frame you will take to do your tenant improvements; landlord's tenant improvement allowance amount; and sales level reached during the initial period. The estimated range for your initial investment does not include finance charges, payments, interest, or related costs you may incur if any portion of the initial investment is financed; broker's commissions you may incur from engaging a broker to assist you in the purchase of an Operating Taster Tea Bar; employee wages and managerial salaries; or any payment to you.

Note 15: The purchase price of an Operating Taster Tea Bar typically depends on the business's gross cash flow, the remaining term of the lease and the value of the leasehold. In the typical case, you will purchase all assets of the Taster Tea Bar owned by our affiliate, but excluding any confidential information and any proprietary or intellectual property rights or assets owned or held by us or our affiliate and excluding the goodwill associated with the Taster Marks, and receive an assignment of all relevant commercial contracts and the lease for the premises. In the typical case, you will reimburse our affiliate for one month's rent and a security deposit equal to 1 to 3 month's rent for the Taster Tea Bar premises when you complete the purchase of the assets. Our affiliate will generally retain all liabilities of the former business existing before your purchase of the Operating Taster Bar, but you will be responsible for the liabilities of the business after your purchase, including liabilities under the lease and other commercial contracts that are assigned to you. The purchase price and the terms of the Asset Purchase Agreement and its attachments will vary considerably among Taster Tea Bars, depending upon the gross cash flow for the existing business, the value of the leasehold, any unique characteristics regarding each transaction and the Operating Taster Tea Bar, financing arrangements and other factors. The purchase price and terms of the Asset Purchase Agreement are negotiable.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you have no obligation to purchase or lease from us or from suppliers approved by us or according to specifications we issue:

Approved Suppliers

You may only use suppliers that we have accepted and approved (“Approved Suppliers”) because they have demonstrated to us their ability to supply products and services for Tastea Tea Bars meeting our specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. As disclosed in Item 2 of this Disclosure Document, one or more of our officers owns an interest in ST Tea, our affiliate and an Approved Supplier. We will provide you with our Manuals and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of products and services. Upon request, we will furnish to you a list of Approved Suppliers that we may update from time to time. You must operate your Tastea Tea Bar in strict compliance with the standards, procedures, policies, rules and regulations contained in the Manuals. We and our affiliates may be Approved Suppliers.

In fiscal year ended March 31, 2024, our affiliate, ST Tea, LLC derived \$858,343.29 in revenues from purchases or leases of products and services made by our franchisees from ST Tea, LLC, which represents 17.00% of ST Tea, LLC’s total revenues of \$5,145,798.94.

Goods, Supplies, Inventory and Services

You must serve all and only the products we authorize (“Authorized Tastea Products”). We may specify beverages, food products, packaging and other products, including branded products, which are created, conceived, produced, developed or manufactured according to or using our or our affiliates’ trade secrets, confidential information, processes, methods, methodologies, recipes, specifications, formulas and/or proprietary or intellectual property rights (collectively, the “Tastea Proprietary Products”). You must buy Tastea Proprietary Products only from us, our affiliates or our Approved Suppliers. We will not be obligated to reveal our trade secrets, confidential information, processes, methods, methodologies, recipes, specifications, formulas and/or proprietary or intellectual property rights with respect to any Tastea Proprietary Products to you or any third party. You must purchase, use, and maintain in stock a sufficient amount of Authorized Tastea Products and Tastea Proprietary Products to operate your Tastea Tea Bar.

We may designate certain non-proprietary food products, condiments, liquid, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, menus, packaging, forms, customer comment cards, Systems, computer hardware, off-the-shelf software, modems,

printers and other peripheral computing equipment and other products, supplies, and equipment, but excluding any Tastea Proprietary Products and excluding Tastea branded products, which you may or must use or sell at your Tastea Tea Bar (“Non-Proprietary Products”). You may use, offer or sell only those Non-Proprietary Products that we expressly authorize. You will purchase Non-Proprietary Products from Approved Suppliers. Each supplier we approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and satisfy us that it will supply products meeting our specifications (which may include particular brand names, model, contents, quality, freshness and compliance with governmental standards), reliably deliver consistent quality products or services, and meet any other requirements we determine is in the best interest of the Tastea System. We may limit items to a particular brand or brands set by us.

Equipment and Fixtures

You must purchase and install, at your expense, all fixtures, furnishings, equipment (including point-of-sale cash collection system), decor, and signs as we direct. You may not install on or about your Tastea Tea Bar any merchandise, furnishings, interior or exterior decor items, supplies, fixtures, equipment or utensils unless they have been approved by us in writing. You may purchase these items from an Approved Supplier.

Computer Equipment

You must purchase, lease or license, as applicable, all computer hardware and software designated by us for the Tastea Tea Bar at your expense. You must maintain and update all computer hardware and software as required by us. (See [Item 11](#)).

Approval of Suppliers

If you wish to procure any items from a supplier other than us or an Approved Supplier, you must obtain our approval. You must identify the proposed supplier, its name and address, and the item(s) you desire to purchase from that supplier. We may require you to deliver a sample of their product for our review and inspection. Our specifications and standards for supplier approval are generally available upon written request. If product specifications for the item are not in the Manuals, we will furnish the general, but not manufacturing, specifications for Non-Proprietary Products to you at your request. We may condition our approval on the supplier agreeing in writing not to disclose any of our confidential information, to comply faithfully with our specifications for the items it sells, to sell any materials bearing our marks only to our franchisees, and on the supplier demonstrating to our satisfaction that it is able to supply commodities meeting our specifications on a continuing basis, and that the supplier is, and will continue to be, of good standing in the business community with regard to its financial soundness and the reliability of its product and service. We also have the right to require, as a condition of approval, that our representatives are permitted to inspect the supplier’s facilities and that you deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we designate for testing. You must pay us a fee

not to exceed the cost of the inspection and the actual cost of the test. In addition to product testing, a facility audit may be required. You will be responsible for any additional costs and expenses associated with the inspection of the facility. We will use our good faith efforts to notify you of our decision within 60 days after we receive your request for approval and all requested back-up information.

You may not use a supplier unless we notify you of our approval in writing. We may revoke a supplier's approval for failure to comply with our requirements and specifications. We will disapprove or withdraw our approval of any supplier by written notice to you.

We may, from time to time, receive rebates from Approved Suppliers based on the aggregate volume of items ordered. You will not be entitled to receive any portion of these rebates. We do not currently receive rebates based on purchases by franchisees. In addition, we may negotiate certain arrangements (including price terms) for the purchase of certain items, such as logoed paper products and cups with suppliers. We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers. There are currently no purchasing or distribution cooperatives for the System.

Approximately 65% of your start-up expenses and 65% of your ongoing expenses, other than fees disclosed in Items 5 and 6, will be for purchases from Approved Suppliers or purchases according to our specifications.

Insurance

You must obtain and maintain throughout the term of your Franchise Agreement the types and amounts of insurance required by us and you must provide us with proof of coverage and Certificates of Insurance upon demand. Workers Compensation insurance must be in compliance with all local laws and regulations. The required insurance must protect both you and us against any demand or claim with respect to personal and bodily injury, death, and property damage, and for any loss, liability, and expense whatsoever arising or occurring upon or in connection with the operation of your Tastea Tea Bar. Each policy must: (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which your Tastea Tea Bar is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide, (ii) name us as an additional insured, and (iii) comply with the requirements prescribed by us at the time the policies are obtained. You and your insurers must agree to waive their rights of subrogation against us, and you must provide evidence of the waiver.

Purchase of Operating Tastea Tea Bar

If you purchase an Operating Tastea Tea Bar from our affiliate, you must sign an Asset Purchase Agreement in substantially the form of Exhibit B attached to this Disclosure Document and all applicable Attachments and a Purchase Addendum (in substantially the form of Exhibit E to the Franchise Agreement). Under the terms of the Asset Purchase Agreement, you must purchase

certain assets of the Operating Tastea Tea Bar, which may include fixtures, furnishing, equipment, decor, signs, as well as supplies and materials used or sold by our affiliate, but excluding proprietary or intellectual property rights or assets owned or held by us or our affiliate and excluding the goodwill associated with the Tastea Marks. You may also be required to assume the lease for the site and contracts with suppliers of goods and services to the Operating Tastea Tea Bar.

Improvements

All ideas, concepts, information, know-how, inventions, original works of authorship, specifications, developments, techniques, processes, practices, methods, methodologies, improvements, derivative works, trade secrets, and other proprietary or intellectual property rights and related materials created, conceived or developed by you, whether or not protectable intellectual property, in connection with your Tastea Bar or any part of the Tastea System must be promptly disclosed to us and will become our exclusive property and a part of Tastea franchise system without compensation to you.

There are no restrictions as to whom you may sell the Authorized Tastea Products, except as may be limited or prohibited by this Disclosure Document or the Franchise Agreement or other documents to which you may be bound or by law.

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ITEM 9

FRANCHISEE’S OBLIGATIONS

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

OBLIGATION	SECTION(S) IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Section 5 of the Franchise Agreement	Items 8, 11 and 16
b. Pre-opening purchases/leases	Section 5 of the Franchise Agreement	Item 5 and 16
c. Site development and other pre-opening requirements	Sections 5.3 and 5.4 of the Franchise Agreement	Items 7,11 and 16
d. Initial and other training	Sections 6.1, 6.2 and 6.3 of the Franchise Agreement	Items 6 and 11
e. Opening	Section 5.4 of the Franchise Agreement	Item 11
f. Fees	Section 4 of the Franchise Agreement; Sections 3 and 14(i) of the Asset Purchase Agreement;	Items 5 and 6
g. Compliance with standards and policies/Manuals	Sections 6.4 and 8 of the Franchise Agreement	Item 11
h. Trademarks and proprietary information	Section 10 of the Franchise Agreement	Items 11, 13, and 14
i. Restrictions on products/services offered	Section 9 of the Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
l. Ongoing product/service purchases	Sections 8 and 9 of the Franchise Agreement	Item 16
m. Maintenance, appearance and remodeling requirements	Sections 5.3 and 8.19 of the Franchise Agreement	Items 7 and 16
n. Insurance	Section 14 of the Franchise Agreement	Item 16
o. Advertising	Section 11 of the Franchise Agreement	Item 15

p. Indemnification	Section 19.4 of the Franchise Agreement	Items 6, 12 and 17
q. Owner's participation /management/ staffing	Exhibit A of the Franchise Agreement	Item 15
r. Records and reports	Section 13 of the Franchise Agreement; Section 8 of the Asset Purchase Agreement	Item 6
s. Inspections and audits	Section 13.3 of the Franchise Agreement	Item 6
t. Transfer	Section 15 of the Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Section 18 of the Franchise Agreement	Items 6 and 17
w. Non-competition covenants	Section 16 of the Franchise Agreement	Item 17
x. Dispute resolution	Section 20 of the Franchise Agreement; Section 13 of the Asset Purchase Agreement	Item 17
y. Taxes & Permits	Sections 4.10 and 5.3 of the Franchise Agreement; Sections 6(3), 8(d) and 8(f) of the Asset Purchase Agreement.	Items 1 and 7
z. Computer hardware and software	Section 8.4 of the Franchise Agreement	Item 16
Other Security Interest	Section 4.12 of the Franchise Agreement	Item 10

ITEM 10 FINANCING

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

Before Opening

We will provide you with the following assistance before you open your Tastea Tea Bar for business:

1. We will review site proposals you submit to us, and approve, reject or provide comments to you regarding each proposal within thirty (30) days after receiving all of the information we require to evaluate the site. We may terminate this Franchise Agreement if no acceptable site is established within ninety (90) days of signing the Franchise Agreement. We may, without obligation, assist you in locating a proposed site, only after you sign the Franchise Agreement and pay the Initial Franchise Fee. However, you are solely responsible for the selection of all proposed sites for your Tastea Tea Bar. We will provide you with our site criteria that include the factors we consider in accepting Tastea Tea Bar locations, such as general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. You may not construe any assistance we may provide, or our acceptance, as a guarantee or other assurance that the proposed site will be successful. You must open your Tastea Tea Bar within 180 days after signing your Franchise Agreement. We will not unreasonably withhold our consent to your request for additional time to open your Tastea Tea Bar. (Franchise Agreement, Sections 5.1 and 5.4).
2. We will provide you with our specifications for the décor and layout of a Tastea Tea Bar along with a list of required fixtures, equipment, furnishings, décor, trade dress, and signs. We will review your site and floor plans and provide you with the design layout for your Tastea Tea Bar. If necessary, we will travel to your Franchised Location to provide additional site design assistance which will subject to the Additional Site Design Assistance Fee. Usually, we can provide a design layout without needing to travel to a Franchised Location, however, certain characteristics associated with your Franchise Location may necessitate that we be on-site for us to provide you with a design layout. These characteristics include older or outdated construction, restrictive local zoning laws or regulations, and unique site and floor plans. You must construct your Tastea Tea Bar following our specifications and design and must obtain our prior written approval before deviating from our specifications and design. You are responsible for the costs of preparing architectural, engineering, and construction drawings and exterior signage plans. You must use our designated architect or obtain our prior written consent to use an architect other than our designated architect. You are responsible for the cost of construction and remodeling of your Tastea Tea Bar. (Franchise Agreement, Section 5.3).

3. If it is your first Tastea Tea Bar, we will provide an Initial Training Program for up to six (6) weeks at no cost for two (2) people whom you designate as the Operating Partner and General Manager of your Tastea Tea Bar. In addition to the Initial Training Program, we will provide you with up to a total of two (2) weeks of Pre-Opening Training at your Franchised Location. (Franchise Agreement, Section 6.1)
4. After you sign your Franchise Agreement, we will loan you a hard or electronic copy of our Operations Manual. The Table of Contents of the Operations Manual is attached to this Disclosure Document as Exhibit K. There are currently a total of 197 pages in our Operations Manual. Our operations standards may consist of our Operations Manual, one or more separate manuals, as well as audiotapes, videotapes, compact discs, computer software, information available on an internet or intranet site, other electronic media, bulletins and/or other written materials (collectively, the “Manuals”) to use during the term of the Franchise Agreement. The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply in order to avoid a re-inspection your Tastea Tea Bar or a breach of your Franchise Agreement. We may, from time to time, update or change the Manuals in our sole discretion. (Franchise Agreement, Section 6.4).

After Opening and During Operation

After your Tastea Tea Bar opens for business and during its operation, we will provide you with the following assistance:

1. We will continue to provide consultation, advice, or instructions that we consider appropriate or necessary in our sole discretion to assist you in connection with new services and products, operation and management of your Tastea Tea Bar, and advertising and marketing. (Franchise Agreement, Section 6.5).
2. We may provide additional training programs from time to time if we decide necessary in our sole discretion or upon your request which will be subject to the Additional Training Program Fee. (Franchise Agreement, Section 6.3).
3. We will designate Tastea Proprietary Products and Non-Proprietary Products which you may or must stock and promote. (Franchise Agreement, Sections 9.3).
4. We may examine your Tastea Tea Bar to confer with your employees, inspect and check operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures and equipment, and determine whether your Tastea Tea Bar is being operated in accordance with the Franchise Agreement, Tastea System and the Manuals. (Franchise Agreement, Sections 6.6).
5. We will conduct advertising, marketing, public relations, and promotional programs to maximize general public recognition and acceptance of the Tastea Marks for the benefit of the Tastea System and all our Franchisees (Franchise Agreement, Section 11.4).

Length of Time to Open Your Tastea Tea Bar

You must deliver a fully executed copy of the Lease to us promptly following its execution, in the form and on the terms previously accepted by us, and you must open your Tastea Tea Bar for business within one hundred eighty (180) days after signing your Franchise Agreement, unless we agree otherwise. (Franchise Agreement, Sections 5.2 and 5.4).

A Tastea Tea Bar usually opens for business six (6) months after the Franchise Agreement is signed or the location is accepted. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to: identify a location which we will accept; obtain any financing you need; obtain required permits and governmental agency approvals; fulfill local ordinance requirements; complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs; and complete the hiring and training of personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors.

Site Selection/Lease/Purchase of Real Estate

If you do not already have a location when you sign your Franchise Agreement, you must purchase or lease a site for your Tastea Tea Bar promptly after you sign the Franchise Agreement. You must submit your proposed lease to us for approval before you sign it, and provide a fully signed copy within ninety (90) days of signing your Franchise Agreement. Our acceptance of your lease is based solely on our own interests and does not represent any guarantee or endorsement by us of the Franchised Location or confirmation that the lease complies with applicable law or that the terms of the lease are favorable to you. If we accept the proposed site, we will notify you of our preliminary acceptance of the site. Your lease must not (i) obligate us in any manner, or (ii) contain any provision inconsistent with your Franchise Agreement. In addition, your Lease must provide for the following: (i) the Lease may not be amended, assigned or sublet without our prior written consent, (ii) we have the right (but not the obligation) to succeed to your rights under the Lease if you fail to exercise any option to renew, and/or extend the term of the Lease, (iii) if you default under the Lease, the Landlord must notify us in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease, (iv) we have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to you and the Landlord, (v) you have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to us, or any franchisee or licensee approved by us, and (vi) we have the right to enter the Franchised Location to remove all of the Tastea Marks from the Franchised Location and modify the decor of the Franchised Location so that it no longer resembles, in whole or in part, a Tastea Tea Bar if you fail to do so. (Franchise Agreement, Section 5.2). You and we must agree on a site and you must obtain all permits required to construct, remodel, renovate, and equip the Tastea Tea Bar and complete construction of the Tastea Tea Bar within one hundred eighty (180) days after signing the Franchise Agreement. (Franchise Agreement, Section 5.3). If you are purchasing the Franchised

Location, you must submit the contract for purchase and sale to us for approval before you sign it, and provide a fully signed copy of the contract following signing.

You may not open your Tastea Tea Bar at the Franchised Location for business until you have received our written authorization, which may be subject to our satisfactory inspection of the Tastea Tea Bar at the Franchised Location. (Franchise Agreement, Section 5.4).

Computer and Point of Sale Systems

You must purchase, use and maintain a computerized point of sale cash collection system (including a POS System network router and software) (the “POS System”), and a back office computer and printer, including all related hardware and software, , each as specified in the Manuals or otherwise by us in writing for your Tastea Tea Bar. Your POS System must be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, and for ordering and maintaining the POS System. The POS System must be electronically linked to us, and you must allow us to poll the POS System on a daily or other basis at the times and in the manner established by us, with or without notice, and to retrieve transaction information including sales, sales mix, usage, and other operations data that we determine appropriate. We may require that you update, upgrade or replace the POS System, including hardware and/or software, upon written notice, provided that you will not be required to replace the POS System any more frequently than once every three (3) years. The POS System must include the required technology to permit you to accept online orders of Tastea products and services at your Tastea Tea Bar and to accept and process Tastea gift cards sold in other Tastea Tea Bars. In addition, you must purchase, lease or license all computer hardware and software designated by us for your Tastea Tea Bar at your expense. During the term of your Franchise Agreement, you must maintain and update all computer hardware and software as required by us. (Franchise Agreement, Section 8.4).

It will cost you approximately \$ \$1,600 to \$1,900 total for the first three months to buy and implement the POS System and software listed in the foregoing paragraph for your Tastea Tea Bar, including the require first and last month’s payment to the supplier on financed terms. For qualified franchisees, our current supplier will allow you to finance the hardware, software fees, shipping and tax for zero percent over 36 months. You must purchase the POS System designated by us. The monthly financed purchase price for the POS System beyond the three months mentioned above currently ranges from \$370 to \$430 per month payable to the supplier. You must upgrade the POS System if we instruct you to do so upon ninety (90) days’ notice at your expense. You will also be responsible paying for any increases in monthly maintenance costs of the POS System.

Loyalty Rewards Program

You must fully participate in all our customer loyalty and rewards programs now and in the future adopted or approved by us (“Loyalty Rewards Program”). We currently administer our gift card

system through the Loyalty Rewards Program. On signing your Franchise Agreement, you must pay us a non-refundable \$1,000 Loyalty Rewards Program setup fee (“Loyalty Rewards Program Setup Fee”) to establish your Loyalty Rewards Program account. Throughout the Term of your Franchise Agreement, you must also pay us a Loyalty Rewards Program monthly fee (the “Loyalty Rewards Program Monthly Fee”) of \$300 per month or our then-current Loyalty Rewards Program Monthly Fee which will be used to maintain the Loyalty Rewards Program, track and manage gift card redemptions and manage customer engagements connected with our customer loyalty and rewards programs. If the costs to us for the Loyalty Rewards Program increase, you must also pay your proportionate share of the increase. You may not create or issue any gift certificates or gift cards and may only sell gift certificates or gift cards that we have issued or approved. You must participate in all gift certificate and/or gift card administration programs we have designated from time to time. You must honor all coupons, gift certificates, gift cards, and other programs or promotions as we direct. You may not issue coupons or discounts of any type for use at your Tastea Tea Bar, except for those approved by us in writing, which approval we may withhold in our discretion. (Franchise Agreement Sections 8.24).

Online Ordering and Delivery Program

You must participate fully in our online ordering and delivery program (“Online Ordering and Delivery Program”). On signing your Franchise Agreement, you must pay us a non-refundable \$1,000 online ordering and delivery setup fee (“Online Ordering and Delivery Setup Fee”) to establish your Online Ordering and Delivery Program account. Throughout the Term of your Franchise Agreement, you must also pay us an online ordering and delivery monthly fee (“Online Ordering and Delivery Monthly Fee”) of \$300 per month or our then-current Online Ordering and Delivery Monthly Fee which will enable customers to order online and have delivery of Authorized Tastea Products to a place of their convenience. If the costs to us for the Online Ordering and Delivery Program increase, you must also pay your proportionate share of the increase. (Franchise Agreement Sections 8.25).

Internet, Intranet and Social Media

We have registered the Internet domain name www.gotastea.com and have established a site using this domain name. You acknowledge that the domain name is our sole property. You may not use in any manner, any computer medium or electronic medium (for example, any Internet home page, e-mail address, website, domain name, URL, bulletin board, newsgroup or other Internet related medium or activity) that contains any Tastea Marks, or any other words, symbols or terms confusingly similar to any Tastea Marks without our express prior written consent. We may include on our Internet web site interior pages that identify all Tastea Tea Bars, including your Tastea Tea Bar. (Franchise Agreement Sections 11.9 and 11.10).

We have the sole right to market on the Internet and use the Tastea Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, cobranding and other arrangements, and in all other forms of

electronic media. You may not separately register any domain name or any portion of a domain name containing any Tastea Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using any Tastea Marks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of the Tastea Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify. (Franchise Agreement Sections 2.2.4 and 11.9).

We may, at our option, establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates and other confidential information to you. If we establish an Intranet, you must establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you. We will have sole discretion and control over all aspects of the Intranet, including the content and functionality of the Intranet. You will have the privilege, but not the right, to use the Intranet, subject to your compliance with our policies. (Franchise Agreement Section 8.18).

Advertising

You must conduct all advertising, marketing and promotions for your Tastea Tea Bar in a dignified manner and by following our policies and provisions concerning format, content, media, geographic coverage and other criteria as are from time to time contained in the Manuals, or as otherwise directed by us. You may not use or publish any advertising material or in any way use or display any of the Tastea Marks except by following our policies and provisions and with our prior written approval. You must submit samples of all advertising and promotional plans and materials to us for approval and may only commence use of the materials after you have been approved, in writing, by us. We will have the right at any time after you commence the use of any materials to prohibit further use, effective upon written notice to you. (Franchise Agreement, Section 11.1).

Store Opening Advertising Contribution

You must provide us with a grand opening program within thirty (60) days of your scheduled Grand Opening and spend at least \$7,500 as part of your Store Opening Advertising Contribution directly to vendors you hire. We do not provide any financial assistance or reimbursement for the Store Opening Advertising Contribution. The program must be implemented thirty (30) days before your Tastea Tea Bar's scheduled Grand Opening. We will provide you with guidance and support for planning and executing the program.

Local Advertising

You must spend at least one percent (1%) of your Gross Sales of your Tastea Tea Bar each quarter annually on local advertising for your Tastea Tea Bar. All local advertising and promotion by you

must be conducted in the media, type, and format that we previously approved and in a dignified manner, and must conform to the standards and requirements described in the Manuals or otherwise in writing. At our request, you must furnish to us, within thirty (30) days after request, any evidence we may reasonably require concerning the nature and amount of your expenditures for local advertising. We may require that you submit, thirty (30) days prior to the beginning of each calendar quarter, your advertising campaign and budget for our review and approval. (Franchise Agreement, Section 11.3).

Marketing Fee

You must pay us a Marketing Fee equal to one percent (1%) of the Gross Sales of your Tastea Tea Bar (the “Marketing Fee”) over the term of your Franchise Agreement. The Marketing Fee monies will be used to conduct regional and national advertising, marketing and promotional programs to maximize general public recognition and acceptance of the Tastea Marks for the benefit of the Tastea System and all Franchisees. You must participate in all regional and national programs we specify from time to time in the manner we specify. (Franchise Agreement, Section 11.4.1).

We or our designee will maintain and administer the Marketing Fee monies as we determine appropriate, in our sole discretion, to pay for the costs of preparing and producing video, audio, and written marketing materials; contract with or hire third-party advertising, public relations, promotional agencies or professionals; sponsor sporting, charitable or similar events; administer regional or national marketing programs including the purchase of direct mail, marketing flyers, radio and newspaper ads, television commercials and other media marketing at our sole discretion, determine appropriate; cover expenses related to our social media marketing efforts, including the purchase of social media ads on various social media platforms; support public relations campaigns and other public relations activities; conduct test marketing for new products and customer surveys; cover the costs of website development and maintenance, operations of our portal, internet, intranet sites, URL services, and for 800 or similar numbers; cover administrative costs and overhead we may incur from marketing and promotional activities, including salaries of employees who are creating and implementing advertising, marketing and promotional programs for us; and pay for incidental expenses relating to our advertising, marketing and promotional activities. We will oversee all advertising, marketing and promotional programs with sole discretion over that materials, media and creative concepts whether the programs are implemented through us or outsourced to a third party. (Franchise Agreement, Section 11.4.2).

Although we have no contractual obligation to account for Marketing Fee monies separately, the Marketing Fee monies will be held separately from our other funds and since the account is not a trust, we will not have any fiduciary obligations to you regarding the Marketing Fee. Since Marketing Fee payments are not contributions to a fund and we do not maintain or administer any such fund, we have no fund to audit nor do we disclose how the funds were used in the most recently concluded fiscal year, including the percentages spent on production, media placement, administrative expenses, and a description of any other use. Also, as we have no fund, our affiliated company-owned stores are not required to contribute to a fund, however, our

company-owned stores currently contribute to advertising, marketing, and promotions expenditures. (Franchise Agreement, Section 11.4.3).

Although we will try to use the Marketing Fee monies to develop advertising, marketing and promotional programs that will benefit all our Franchisees, we will not be obligated in maintaining and administering the Marketing Fee monies to (i) make expenditures for you that are equivalent or proportionate to your Marketing Fee payments; or (ii) be required to spend any specific amount on advertising, marketing, or promotions in your Tastea Tea Bar's trade area, or (iii) guarantee in any way that you will derive a benefit directly or pro-rata from the advertising, marketing, or promotions conducted with the Marketing Fee monies. (Franchise Agreement, Section 11.4.4).

The Marketing Fee will not be used to defray any of our general operating expenses. Any unused Marketing Fee monies at the end of any year will be used in the next fiscal year. We will not use Marketing Fee monies for advertising that is principally a solicitation for the sale of franchises. (Franchise Agreement, Section 11.4.5).

Marketing Fund

As of the date of this Disclosure Document, we have not yet established a fund for regional and national advertising, marketing, and promotional activities (the "Marketing Fund") but reserve the right to do so in the future on ninety (90) days written notice to you. When and if the Marketing Fund is established, your Marketing Fee will be your contribution to the Marketing Fund. The Marketing Fund will be used in the same manner as the Marketing Fee monies to conduct regional and national advertising, marketing, and promotional programs to maximize general public recognition and acceptance of the Tastea Marks for the benefit of the Tastea System and all Franchisees. You must also participate in all regional and national programs we specify from time to time in the manner we specify. (Franchise Agreement, Section 11.5.1).

We or our designee will maintain and administrator Marketing Fund with the same intended use as the Marketing Fee as we determine appropriate in our sole discretion, to pay for the costs of preparing and producing video, audio, and written marketing materials; contract with or hire third-party advertising, public relations, promotional agencies or professionals; sponsor sporting, charitable or similar events; administer regional and national marketing programs including the purchase of direct mail, marketing flyers, radio and newspaper ads, television commercials and other media marketing at our sole discretion, determine appropriate; cover expenses related to our social media marketing efforts, including the purchase social media ads on various social media platforms; support public relations campaigns and other public relations activities; conduct test marketing for new products and customer surveys; cover the costs of website development and maintenance, operations of our portal, internet, intranet sites, URL services, and for 800 or similar numbers; cover administrative costs and overhead we may incur from marketing and promotional activities, including salaries of employees who are creating and implementing advertising, marketing and promotional programs for us; and pay for incidental expenses relating to our advertising, marketing and promotional activities. We will oversee all

advertising, marketing, and promotional programs with sole discretion over that materials, media and creative concepts whether the programs are implemented through us or outsourced to a third party. (Franchise Agreement, Section 11.5.2).

We reserve the right, in our sole discretion to (i) establish a new entity to operate the Marketing Fund and the successor entity will have all of the rights and duties described in the Franchise Agreement; (ii) hold contributions to the Marketing Fund in a separate account in the same manner as the Marketing Fee or establish a trust to hold the contributions; (iii) solely maintain and administer all regional and national advertising, marketing, public relations, and promotional programs or designate a third party or advisory board to maintain and administer part or all of the programs to be paid by the Marketing Fund; and (iv) terminate, or reinstate after termination, the Marketing Fund at any time upon thirty (30) days' prior notice to you. If we elect to terminate the Marketing Fund, it will not terminate until all contributions to it have been spent for its intended purpose or returned to Franchisees on a pro-rata basis. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Franchisees to the Marketing Fund in that year. The Marketing Fund shall not be considered our asset. The Marketing Fund may borrow from us or others to cover deficits or invest any surplus for future use. If we lend money to the Marketing Fund, we may charge the same interest rates as we pay our lenders. We will prepare an unaudited annual statement of monies collected and costs incurred by the Marketing Fund and provide a copy of the statement to you upon your written request. (Franchise Agreement, Section 11.5.3).

Although we will try to use the Marketing Fund to develop advertising, marketing and promotional programs that will benefit all our Franchisees, we will not be obligated in maintaining and administering the Marketing Fund to (i) make expenditures for you that are equivalent or proportionate to your contributions to the Marketing Fund; or (ii) be required to spend any specific amount on advertising, marketing, or promotions in your Tastea Tea Bar's trade area, or (iii) guarantee in any way that you will benefit directly or pro-rata from advertising, marketing, or promotions paid for by the Marketing Fund; or (iv) require our affiliated company-owned Tastea Tea Bars to contribute to the Marketing Fund on the same basis as Franchisee-owned Tastea Tea Bars. If the Marketing Fund is not a trust, we will have no fiduciary obligation to you relating to the collection, maintenance, and administration of the Marketing Fund. (Franchise Agreement, Section 11.5.4).

Aside from the costs and expenses detailed above, Marketing Fund contributions will not be used to defray any of our general operating expenses. Any unused contributions to the Marketing Fund at the end of any year will be used in the next fiscal year. We will not use the Marketing Fund for advertising that is principally a solicitation for the sale of franchises. (Franchise Agreement, Section 11.5.5).

Cooperative Advertising Programs

We may from time to time establish programs for co-operative advertising to coordinate advertising, marketing efforts, and programs to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional

advertising media (“Cooperative Program(s)”). As of the date of this Disclosure Document, we have not established any Cooperative Programs but reserve the right to do so in the future on ninety (90) days written notice to you. If and when we create a Cooperative Program for an advertising coverage area in which your Tastea Tea Bar is located, you and either our affiliate or us, if we or our affiliate owns a Tastea Tea Bar in the advertising coverage area, will become a subscriber and member of the Cooperative Program and will participate in the Cooperative Program in the manner prescribed by us. The size and content of an advertising coverage area will be binding upon Franchisees, all other similarly situated Franchisees and our affiliate. Each participating Franchisee as well as us or our affiliate, if applicable, will be entitled to one vote for each Tastea Tea Bar located within the advertising coverage area as may reasonably be determined by us. (Franchise Agreement, Section 11.6).

You and all other members of the Advertising Coverage Area whose Tastea Franchise Agreements require their participation in the Cooperative Program will contribute to the Cooperative Program the amounts that are determined by fifty percent (50%) or more of the participating Tastea Tea Bars in the Cooperative Program (not to exceed one percent (1%) of the Gross Sales of each participating Tastea Tea Bar located in the Advertising Coverage Area, subject to our written approval. Your contribution to the Cooperative Program will be credited towards the satisfaction of the local advertising expenditure. (Franchise Agreement, Section 11.6.1).

We will administer the Cooperative Program and determine the policies of the Cooperative Program and the usage of the available funds for media time, production of media materials, radio, television, newspapers or local level materials for the applicable Tastea Tea Bar(s) such as flyers, or posters, or for any other type of advertising or marketing use. We reserve the right to establish general standards concerning the operation of the Cooperative Program, advertising agencies retained by the Cooperative Program, and advertising conducted by the Cooperative Program. Any disputes, other than pricing, arising among or between you, other Franchisees, and/or the Cooperative Program will be resolved by us, whose decision shall be final and binding on all parties. (Franchise Agreement, Section 11.6.2).

Promotional Campaigns

From time to time during the Term, we reserve the right in our discretion to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Upon written notice from us, you must participate in the promotional campaigns upon the terms and conditions that we may establish. Your participation may require you to purchase point of sale advertising material, posters, flyers, product displays, and other promotional materials. (Franchise Agreement, Section 11.7).

Advertising Council

We may from time to time establish an Advertising Council for Tastea Franchisees and reserve the right to do so in our discretion. (Franchise Agreement, Section 11.8).

Training

Initial Training Program

Before you open your Tastea Tea Bar, we will provide you with an Initial Training Program in the Tastea System and methods of operation (the “Initial Training Program”). Before attending our Initial Training Program, you are required to designate an Operating Partner and General Manager for your Tastea Tea Bar. If other than you, the Operating Partner must be an equity owner or have voting rights in your Tastea Tea Bar (See Item 15). Your General Manager is the person who will manage your Tastea Tea Bar’s day-to-day operations on a full-time basis. Both the Operating Partner and General Manager are required to attend the Initial Training Program.

If the Tastea Tea Bar is the first one to be operated by you, we will provide the Initial Training Program, instructors, training manual, and other training materials to you at no charge. Aside from the Operating Partner and General Manager, if you send more people to the Initial Training Program, you must pay our then-current Additional Initial Training Fee for each additional trainee as outlined in Item 6.

The Initial Training Program will consist of up to six (6) weeks of training that must be completed at our corporate training facility in Garden Grove, CA or one of our company-owned Tastea Tea Bars in Southern California. We will schedule the Initial Training Program with you within approximately two (2) months of your Tastea Tea Bar’s Soft Opening. (Franchise Agreement, Section 6.1).

The Operating Partner and General Manager must attend all phases of the Initial Training Program and complete it to our satisfaction as certified by us in writing. Failure to complete any aspect of the Initial Training Program, as we determine in our sole discretion, constitutes grounds for termination of your Franchise Agreement. (Franchise Agreement, Section 8.2). If we require in our sole discretion, the Operating Partner (if not you) or General Manager, or both, to retake the entire or any part of the Initial Training Program, it will be subject to our then-current daily Additional Initial Training Fee. (See Item 6).

If you are purchasing an Operating Tastea Tea Bar under an Asset Purchase Agreement, the Initial Training Program must be completed before you are eligible to sign a Franchise Agreement.

We will not provide the Initial Training Program if you or your affiliate currently owns or operates a Tastea Tea Bar or if the Franchise Agreement is executed as a renewal Franchise Agreement. (Franchise Agreement, Section 6.1).

You must pay for all travel, lodging, meals, and any other expenses incurred by you, your management, and any employees who attend the Initial Training Program. You are responsible for your management’s and employees’ salaries and wages during the Initial Training Program.

INITIAL TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Basic Training			
Franchisee Onboarding	5	0	Corporate Training Facility or Company-Owned Store
Customer Service and Cleanliness	1.5	2.5	Corporate Training Facility or Company-Owned Store
Station deployment and food safety	1	1	Corporate Training Facility or Company-Owned Store
Drink preparation	1	25	Corporate Training Facility or Company-Owned Store
Food preparation	2	6	Corporate Training Facility or Company-Owned Store
Open Cook Shifts	0	16	Corporate Training Facility or Company-Owned Store
Closed Cook Shifts	0	16	Corporate Training Facility or Company-Owned Store
Cash Handling	1	1.5	Corporate Training Facility or Company-Owned Store
Prepping	2	6	Corporate Training Facility or Company-Owned Store
Total Basic Hours:	13.5	74	
Supervisor Training			
Customer Service	1.5	5	Corporate Training Facility or Company-Owned Store
Supervisory Skills	1.5	15	Corporate Training Facility or Company-Owned Store
Communication	1	5	Corporate Training Facility or Company-Owned Store

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Cash Controlling and Intermediate Register Functions	1	1	Corporate Training Facility or Company-Owned Store
Deployment	1.5	1.5	Corporate Training Facility or Company-Owned Store
Equipment Maintenance	1.5	1	Corporate Training Facility or Company-Owned Store
Opening/Closing Duties	1.5	17	Corporate Training Facility or Company-Owned Store
Total Supervisor Hours:	9.5	45.5	
Manager Training			
Deposits	1	1.5	Corporate Training Facility or Company-Owned Store
Write-ups	1	0	Corporate Training Facility or Company-Owned Store
Job Applications	0.5	1	Corporate Training Facility or Company-Owned Store
Inventory	1	1.5	Corporate Training Facility or Company-Owned Store
Training	1.5	1.5	Corporate Training Facility or Company-Owned Store
Communication	1	0	Corporate Training Facility or Company
Schedule	1	1.5	Corporate Training Facility or Company-Owned Store
Total Manager Hours:	7	7	
Total Hours of Training:	30	126.5	

Pre-Opening Training Program

After the Initial Training Program and before your Tastea Tea Bar's scheduled Grand Opening, we will provide you with up to a total of two (2) weeks of training at your Franchised Location ("Pre-Opening Training Program"). We will not require you to pay additional monies for the Pre-Opening Training Program.

After final inspections of your Tastea Tea Bar by the city, fire and health departments, we will send our training staff to your Franchised Location to provide you, your management and employees with one (1) week of pre-opening training. Before your Tastea Tea Bar's scheduled Soft Opening, we will send our training staff to your Franchised Location to provide an additional one (1) week of pre-opening training to you, your management and employees. During that time, we will also evaluate your opening readiness which includes testing all equipment, reviewing your Tastea Tea Bar's setup, and making sure Tastea's quality control and operations standards are met (See Franchise Agreement, Section 6.2). After which, if we determine in our sole discretion that additional training is necessary, you must pay us our then-current daily Additional Training Program Fee (See Item 6). You are responsible for your management's and employees' salaries and wages during the Pre-Opening Training Program. (Franchise Agreement, Section 8.2).

Additional Training Program

If we determine it beneficial or necessary in our discretion, we may require you, your management, or key employees to attend additional training programs (the "Additional Training Program") at a location to be designated by us. Required additional training may be applicable in cases of default, or if you fail to pass our inspections, or fail to perform to our operating standards. You may also request the Additional Training Program as needed. You must pay us our then-current daily Additional Training Program Fee for each of our training staff who provides you, your management and employees with additional training. If we are providing this training at your Franchised Location, you must reimburse us within reason for travel, lodging, meals and other expenses incurred in connection with the Additional Training Program. If the location of the Additional Training Program is other than your Franchised Location, you are also responsible for paying for your, your management's, and employees' salaries, wages, travel, lodging, meals and other expenses incurred in connection with the Additional Training Program. (Franchise Agreement, Section 8.3).

Annual Franchisee Conference

We may hold an Annual Franchisee Conference for all Tastea franchisees each year. The Operating Partner and each General Manager must attend the Annual Franchisee Conference. You must pay us a Franchisee Conference Fee to reimburse us for a portion of the direct costs to provide the Annual Franchisee Conference. You must pay the Franchisee Conference Fee upon demand at thirty (30) days before the date of the Annual Franchisee Conference, whether or not you attend the Annual Franchisee Conference. You are also responsible for paying for your, your management's, and employees' salaries, wages, travel, lodging, meals and other expenses incurred in connection with the Annual Franchisee Conference. (Franchise Agreement, Section 8.23).

ITEM 12 TERRITORY

Tastea Tea Bar Location

You are solely responsible for locating your Tastea Tea Bar site at the Franchised Location, subject to our acceptance. After you sign your Franchise Agreement, you must identify one or more sites that meet our then current standards and specifications. You must submit all demographic and other information regarding the proposed site and neighboring areas that we may require for our review (see Item 11). If your Tastea Tea Bar has not yet been constructed, or does not meet our current standards for new Tastea Tea Bars, you must cause the Tastea Tea Bar to be constructed, equipped and improved in compliance with our specifications in the Manuals. You may not relocate your Tastea Tea Bar without our prior written consent.

Franchise Agreement

You will be permitted to operate your Tastea Tea Bar at a specific location which we accept, as described in the Franchise Agreement (Exhibit A). 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. Our acceptance of your Franchised Location will be based upon a variety of factors which may include the viability of the then-current location and demographics including, number of households, household income, vehicular traffic, and number of Tastea Tea Bars near the proposed new location. You may face competition from other Tastea Tea Bars that we or our affiliate franchise or own and that operate at traditional sites.

You are not granted a minimum territory, and there are no radius restrictions or minimum population requirements that limit where we can franchise or operate another Tastea Tea Bar. You may not relocate your Tastea Tea Bar to any other location without our prior written consent. If you request a relocation of your Tastea Tea Bar, you must pay us for reasonable out-of-pocket expenses to inspect and approve your new location, including for travel, lodging, and food, and de-identify the former location. If you fail to de-identify your former Tastea Tea Bar, you must reimburse and indemnify and hold us harmless from all costs and expenses, including attorney's fees, arising out of your failure to de-identify.

We expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to: (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, as applicable, Tastea Tea Bars at any location regardless of their proximity to your Tastea Tea Bar; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate, as applicable, any other business, including a beverage and snack or food business, other than a competitive business, under marks and systems different from the Tastea Marks and the Tastea System at any location regardless of their proximity to your Tastea Tea Bar; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell

or distribute, Tastea branded products at any location, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; and (iv) market on the Internet and use the Tastea Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. We are not required to pay you any compensation if we exercise any of the rights specified above.

No restrictions exist on us or any of our franchisees as to the areas from which they may solicit or accept business and we and all of our franchisees are free to advertise or solicit business from any area desired.

Under the Franchise Agreement, continuation of your location rights does not depend upon the volume of sales generated or on your penetration of the market potential. You do not have the right to acquire additional franchises, options, rights of first refusal or similar rights to acquire additional franchises, although you may apply for the right to operate additional Tastea Tea Bars under separate Franchise Agreements.

ITEM 13

TRADEMARKS

As a Franchisee, you are licensed to use and display the trade name “Tastea”, and the marks using it, during the term of your Franchise Agreement and only for the operation of your Tastea Tea Bar and the sale of products described on the Tastea standard menu. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us or our affiliate. Tastea IP, LLC is the owner of all rights, titles and interests in the Tastea Marks and has received registration of the following mark in the U.S. Patent and Trademark Office (“USPTO”):

[Remainder of Page Intentionally Left Blank]

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	4,315,930	April 9, 2013
	4,363,712	July 9, 2013
	4,363,713	July 9, 2013
TASTEA	4,560,161	November 19, 2013

Tastea IP, LLC has issued a perpetual license to us to use and sublicense the Tastea Marks for the sale and administration of Tastea Tea Bars in the United States. Under the perpetual license, Tastea IP, LLC has the right to commence lawsuits against third parties arising from infringement of the Marks. If Tastea IP, LLC does not commence a lawsuit against an alleged infringer within sixty (60) calendar days' of our notification of any infringement, we may commence a lawsuit against the alleged infringer upon obtaining Tastea IP LLC's written consent, which will not be unreasonably withheld. In addition, Tastea IP, LLC may terminate the perpetual license with thirty (30) days' written notice to us or the occurrence of a "Termination Event", as defined in the perpetual license, but any subsequent termination will not affect any agreements entered into prior to the revocation of the perpetual license. Other than these limitations, neither the license,

nor any agreements currently in effect or contemplated, significantly limit our right to use or license the use of any of the Tastea Marks in any manner material to the franchise.

Tastea IP, LLC has filed all required affidavits in connection with the registrations listed above. There are no currently effective material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any opposition or cancellation proceeding, or any pending litigation involving the trade name Tastea or the licensed marks.

On July 17, 2012, Tastea, LLC entered into a Consent to Registration Agreement with Tamales Imperial Company, a Texas corporation (“Tamales”), under which both parties consented to the other party’s use of the word mark “Tastea”. Under the Consent to Registration Agreement, Tamales agreed that it will not at any time use the trademark Tastea in connection with the sale of snack food items and beverages or restaurant services. Tamales operates an unrelated wholesale business for the sale of tea and tea bags and other items to grocery stores.

On December 21, 2018, Tastea, LLC, assigned its intellectual property and related goodwill, including its right to use the word mark “Tastea” under the Consent to Registration Agreement with Tamales, to Tastea IP, LLC. As permitted under the Consent to Registration Agreement with Tamales, Tastea, LLC’s right to use the word mark “Tastea” was fully transferable and assignable to Tastea, LLC’s successors and assigns.

We are not a party to any other agreements currently in effect that significantly limit our rights to use or license the use of the principal trademarks that are material to the franchise, nor are there any prior superior rights or infringing uses actually known to us that could materially affect your use of the licensed trade name, trademarks, or service marks. We have not, however, conducted an exhaustive search of users of names which may be the same or similar to the Tastea Marks. We are not aware of anyone other than Tamales Imperial and Tastea IP, LLC who are using “Tastea” as a trademark or service mark. There may be similar uses to the Tastea Marks of which we are unaware, which could arise from prior users.

You must use the trade name Tastea without any suffix or prefix attached to it to identify your Tastea Tea Bar. You are prohibited from using our trade name, trademarks, or service marks as part of any corporate name or using the Tastea trade name with any prefix, suffix, or other modifying words, terms, designs, or symbols. You are obligated to file a fictitious business name statement required by us and do all other things necessary to prevent the use of the Tastea trade name, trademarks, or service marks by you from diminishing or destroying the legal protection to which they are entitled.

You must notify us of any infringement of, challenge to, or unauthorized use of the licensed name or any Tastea Marks which comes to your attention, including any claim, suit or demand against

you. We may take actions we determine appropriate to protect our name or the Tastea Marks but we are not obligated by this Disclosure Document or the Franchise Agreement to do so.

We and our affiliate have the sole right to control any litigation involving our trade name or the Tastea Marks and to compromise or settle any claim, in our discretion, at our sole cost and expense, using lawyers of our own choosing, and you must cooperate fully in defending any claim, and you may participate at your own expense in the defense or settlement. You may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without our prior written consent. You agree not to contest, directly or indirectly, our ownership, right, title, or interest in the Tastea Marks, or contest our sole right to register, use, or license others to use those names and the Tastea Marks

We may add to, delete, or modify any or all of the Tastea Marks or use of the Tastea Marks, at your expense, if we modify or discontinue it.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any rights in or to any patents. There are no pending patent or copyright applications that are material to the franchise. We have no registered copyrights, but we claim copyright protection for the Manuals and all advertising material that may be distributed by us. We will loan you one copy of the Manuals for confidential use in the Tastea Tea Bar. You may not disclose, publish, sell, show, or reproduce the Manuals and you must return the Manuals to us intact upon termination or expiration of the Franchise.

We regard our recipes, our particular method of producing our drink items and food products and operating a tea bar, and all the information contained in the Manuals, as confidential and proprietary information owned by us. You agree not to contest our exclusive ownership of the copyrights, trade secrets, recipes, ingredients, processes, methods, methodologies, procedures, formulae, techniques, and other proprietary or confidential information to which we or any of our affiliates claim exclusive rights or ownership rights. You are not given any rights in any other trade secrets or proprietary or confidential information that may be conceived, created or developed by us or any of our affiliates in the future. You must implement any reasonable procedures we may adopt to protect our trade secrets and confidential information, including restrictions on disclosures to your employees and requiring employees who will have access to our trade secrets or confidential information to sign agreements containing non-disclosure, non-use and non-competition provisions.

There are no prior superior rights or infringing uses actually known to us that could materially affect your use of the copyrights described above. We are not a party to any agreements currently in effect that limit our rights to use or license the above- mentioned copyrights in any manner.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate an Operating Partner acceptable to us who will be responsible for the operational decisions of your Tastea Tea Bar. Your Operating Partner must devote his or her full time to the Tastea Tea Bar and must own at least 10% interest in your equity and voting rights (unless you are a publicly held entity or a wholly-owned subsidiary of a publicly-held entity) when you sign the Franchise Agreement. Under certain circumstances, we may waive the requirement that your manager must have a 10% interest in your equity and voting rights. You must provide comprehensive initial training programs, additional training programs and remedial training programs for your General Managers and other employees and ensure that the Tastea Tea Bar is at all times under the direct control of the Operating Partner or a General Manager and other employees fully trained by you. You, your Operating Partner and each General Manager must successfully complete the ServSafe Food Safety Certification Program. We may require each of your owners and employees who have access to any confidential information to sign a Confidentiality and Non-Disclosure Agreement in a form acceptable to us.

All present and future owners of the equity or your voting rights, including spouses (and family members who live in the same household) must execute a written guarantee in a form we prescribe, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of your obligations to us and to our affiliate. Upon each transfer or assignment of your interest in the Franchise Agreement, or other change in your ownership interests, and at any other time we request, these holders must re-execute a written guarantee in a form we prescribe.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Except as described below, you must offer and sell all, and only, those goods and services that we approve (See [Item 8](#)). We may add, delete, and change menu items that you may or must offer, in our unrestricted discretion, and this may require you to purchase additional equipment. There are no limits on our right to make changes. The Tastea Tea Bar must, at all times, be directly supervised by the Operating Partner or a General Manager who has successfully completed our training program. We have the right to approve the General Manager. The General Manager does not need to have an ownership interest in an entity franchisee. We may require your General Manager and others who will have access to our trade secrets and other confidential information to sign a Confidentiality and Non-Disclosure Agreement in a form acceptable to us.

You may not operate any co-branding system without our prior written consent, which may be withheld unless we recognize the co-branding chain as an approved co-brand for operation within Tastea Tea Bars. “Co-branding” includes the operation of an independent business,

product line or operating system owned or licensed by another franchisor that is featured or incorporated within the Franchised Location or is adjacent to the Franchised Location and is operated in a manner likely to cause the public to perceive that it is related to your Tastea Tea Bar.

We may, on occasion, require you to test market products and/or services at your Tastea Tea Bar. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations established by us.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

The following table lists certain important provisions of the Franchise Agreement and Asset Purchase Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

FRANCHISE AGREEMENT

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
a. Length of the term of the franchise	Section 3.1	Ten (10) years
b. Renewal or extension of the term	Section 3.2	Two (2) five-year terms
c. Requirements for Franchisee to renew or extend	Section 3.3	You must have complied with your obligations during the term of your Franchise Agreement; at our request, renovate or modernize your Tastea Tea Bar to comply with our then-current standards for a new Tastea Tea Bar; sign our then-current form of Franchise Agreement that may contain terms and conditions materially different from those in your original Franchise Agreement; satisfy our then-current training requirements; pay a renewal fee and sign a general release. The royalty and other payments under your renewal Franchise Agreement will be at the rates then applicable to new franchisees.
d. Termination by Franchisee	Not Applicable	Not Applicable

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	Sections 17.1-17.3 and 17.5	We can terminate the Franchise Agreement if you default under your Franchise Agreement, any other individual Franchise Agreement (other than solely for your failure to meet your development obligation), or any other agreement between you and us.
g. "Cause" defined curable defaults	Section 17.3	You have five (5) days to cure non-payment of fees and ten (10) days to cure non-compliance with laws and defaults not listed in Section 16.2.
h. "Cause" defined non-curable defaults	Sections 17.1-17.3 and 17.5	Non curable defaults include: bankruptcy, foreclosure, and insolvency; abandonment; unapproved transfers; repeated defaults, even if cured; misrepresentations in acquiring your license; health or safety violations; trademark misuse; conviction of a felony; failure, for a period of ten (10) days after notification of noncompliance, to comply with any state or local law or regulation applicable to the operation of the Tastea Tea Bar; knowingly maintaining false books or records or submitting false reports or knowingly underreporting gross sales; materially misusing any Tastea Marks; making an unauthorized use of any trade secrets or confidential information; failing to purchase appropriate inventory; purchasing products from non-approved suppliers; and a breach of your obligations under the Franchise Agreement or any other agreement between you and us that is not capable of being cured by you.

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
i. Franchisee's obligations on termination/no renewal	Sections 18.1 - 18.5, 18.8 and 18.9	You must cease use of our trademarks, de-identify the Tastea Tea Bar, pay all amounts due to us, and return the Manuals. You must pay us the sum of 2 multiplied by the total Royalty Fees paid (or if unpaid, payable) by you during the twelve (12) months immediately preceding the effective date of termination to account for the actual damages that we will suffer as a result of the termination of the Franchise Agreement during the period that we estimate will expire while we search for a replacement franchise. We may, at our option, assume all telephone numbers for the Tastea Tea Bar. You must, at our option, cancel or assign to us your rights to any Internet websites or webpages or e-mail addresses or assumed, fictitious or corporate names which contain the Tastea Marks. See also "r" below.
j. Assignment of contract by Franchisor	Section 15.1	No restriction on our right to assign.
k. "Transfer" by Franchisee - definition	Section 15.2	Includes transfer of the agreement or change in ownership of the business entity which owns it.
l. Franchisor's approval of transfer by Franchisee	Section 15.2	Transfers require our prior written consent.
m. Conditions for Franchisor's approval of transfer	Sections 15.2-15.4	The proposed transferee must qualify, successfully complete our initial training program, sign our then- current Franchise Agreement (provided, that the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement) and you must be in good standing, sign a general release and pay the transfer fee. See also "r" below.
n. Franchisor's option to purchase Franchisee's business	Section 15.3	We can match any offer for your business.

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
o. Franchisor's option to purchase Franchisee's business	Section 18.6	When your Franchise Agreement expires or is terminated, we have the option to purchase the assets of the Tastea Tea Bar and all of your assets related to the Tastea Tea Bar.
p. Death or disability of Franchisee	Section 15.5	Your spouse, heirs or personal representative has one hundred eighty (180) days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions.
q. Non-competition covenants during the term of the franchise	Section 16.2	You are prohibited from: (i) diverting any present or prospective Tastea customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with any Tastea Marks or the Tastea System, (ii) employing or seeking to employ any person who is or has been within the previous thirty (30) days employed by us or our affiliate as a salaried managerial employee, or otherwise inducing the person to leave his or her employment, or (iii) owning or having any interest in a competitive business to the Tastea Tea Bar business.
r. Non-competition covenants after the franchise is terminated or expires	Section 16.3	For two (2) years following the expiration or termination of your Franchise Agreement, you cannot own or have any interest in a competitive business within 20 miles of any Tastea Tea Bar. If you violate the post-term covenant not to compete, you must pay us, throughout the two (2) year period following the termination, transfer, or expiration of your Franchise Agreement, 5% of the gross revenue of any business which provides similar services or products.
s. Modification of the agreement	Section 6.4	The Manuals are subject to change. You must comply with any changes set forth in the Manuals

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
t. Integration/merger clause	Section 22.5	Only the terms of the Franchise Agreement and its attachments are binding (subject to applicable state law). No other representations or promises will be binding. Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by mediation	Section 20.1	We must first attempt to resolve all disputes by mediation in Orange County, California, except for certain matters which may be brought in court.
v. Choice of forum	Section 20.2	All proceedings will be held in Orange County, California, subject to applicable state law. See the State Specific Addenda (<u>Exhibit G</u>) attached to this Disclosure Document.
w. Choice of law	Section 20.2	California, subject to the exception provided in Section 20.2 of the Franchise Agreement and applicable state law. See the State Specific Addenda (<u>Exhibit G</u>) attached to this Disclosure Document.

ASSET PURCHASE AGREEMENT

PROVISION	SECTION IN PURCHASE AGREEMENT (EXHIBIT C)	SUMMARY
a. Length of the term of the franchise	Not Applicable	Not Applicable
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for Franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by Franchisee	Not Applicable	Not Applicable
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	Not Applicable	Not Applicable
g. "Cause" defined – curable defaults	Not Applicable	Not Applicable

PROVISION	SECTION IN PURCHASE AGREEMENT (EXHIBIT C)	SUMMARY
h. "Cause" defined non-curable defaults	Not Applicable	Not Applicable
i. Franchisee's obligations on termination/nonrenewal	Not Applicable	Not Applicable
j. Assignment of contract by Franchisor	Not Applicable	Not Applicable
k. "Transfer" by Franchisee- definition	Not Applicable	Not Applicable
l. Franchisor's approval of transfer by Franchisee	Not Applicable	Not Applicable
m. Conditions for Franchisor's approval of transfer	Not Applicable	Not Applicable
n. Franchisor's right of first refusal to acquire Franchisee's business	Not Applicable	Not Applicable
o. Franchisor's option to purchase Franchisee's business	Not Applicable	Not Applicable
p. Death or disability of Franchisee	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of agreement	Section 15.4	Must be in writing signed by both parties.

PROVISION	SECTION IN PURCHASE AGREEMENT (EXHIBIT C)	SUMMARY
t. Integration/ merger clause	Section 15.4	Only the terms of the Purchase Agreement and its attachments are binding (subject to state law). No other representations or promises will be binding. Any representations or promises outside of the Disclosure Document and Purchase Agreement may not be enforceable.
u. Dispute resolution by mediation	Not Applicable	Not Applicable
v. Choice of forum	Section 14	Orange County, California, subject to state law.
w. Choice of law	Section 14	California, subject to state law.

ITEM 18 PUBLIC FIGURES

No compensation or other benefit is given or promised to a public figure for the use of a public figure in the name or symbol of the Tastea Tea Bar or the endorsement or recommendation of the Tastea Tea Bar by a public figure in advertisements. You do not have the right to use the name of any public figure in promotional efforts or advertising without prior written approval from us.

No public figures are involved in the actual management or control of Tastea Franchising, LLC.

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 Theodore Vu, 11612 Knott Street #G5, Garden Grove, California 92841, (714) 894-0285, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**TABLE NO. 1
SYSTEM-WIDE SUMMARY
FOR FISCAL YEARS ENDING MARCH 31, 2022 to 2024**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2022	18	20	+2
	2023	20	21	+1
	2024	21	25	+4
Company- Owned	2022	6	6	0
	2023	6	8	+2
	2024	8	0	0
Total	2022	24	26	+2
	2023	26	29	+3
	2024	29	33	+4

**TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
FOR FISCAL YEARS ENDING MARCH 31, 2022 to 2024**

STATE	YEAR	NUMBER OF TRANSFERS
Total Outlets	2022	0
	2023	0
	2024	0

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS FOR
FOR FISCAL YEARS ENDING MARCH 31, 2022 to 2024

STATE	YEAR	OUTLETS AT START OF THE YEAR	OUTLETS OPENED	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS	OUTLETS AT END OF YEAR
California	2022	17	2	0	0	0	19
	2023	19	1	0	0	0	20
	2024	20	3	0	0	0	23
Arizona	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	1	0	0	0	2
Texas	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	2022	18	2	0	0	0	20
	2023	20	1	0	0	0	21
	2024	21	4	0	0	0	25

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR FISCAL YEARS ENDING MARCH 31, 2022 to 2024

STATE	YEAR	OUTLETS AT START OF THE YEAR	OUTLETS OPENED	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS	OUTLETS AT END OF YEAR
California	2022	6	0	0	0	0	6
	2023	6	2	0	0	0	8
	2024	8	0	0	0	0	8
Total	2022	6	0	0	0	0	6
	2023	6	2	0	0	0	8
	2024	8	0	0	0	0	8

TABLE NO. 5
PROJECTED OPENINGS AS OF FISCAL YEAR ENDING MARCH 31, 2024

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY OWNED OUTLET IN THE NEXT FISCAL YEAR	PROJECTED AREA DEVELOPERS IN THE NEXT FISCAL YEAR
California	2	4	2	0
Total	2	4	2	0

NOTE:

Exhibit L lists the names of all current franchises and the addresses and telephone numbers of their outlets as of March 31, 2024.

Exhibit L lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who had not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document.

There are no independent franchisee organizations that have asked to be included in this Disclosure Document.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Tastea Franchising, LLC. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

During the last three fiscal years, zero current or former Franchisee signed a confidentiality clause that restricted them from discussing with you their experiences as a Franchisee in our franchise system.

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

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit I are our audited Financial Statements March 31, 2022, March 31, 2023, and March 31, 2024. Also included are our unaudited financial statements as of June 30, 2024.

ITEM 22

CONTRACTS

Attached as Exhibit A is a copy of our current form of Franchise Agreement.

Attached as Exhibit B is a copy of our current form of Asset Purchase Agreement.

Attached as Exhibit C is a copy of our current form of Option to Obtain Lease Assignment.

Attached as Exhibit D is a copy of our current form of Confidentiality Agreement for Franchisee Candidate.

Attached as Exhibit E is a copy of our current form of Confidentiality Agreement for Employees of Franchisee.

Attached as Exhibit F is a copy of our current form of General Release Agreement.

Attached as Exhibit H is a copy of our current form of Closing Questionnaire.

ITEM 23

RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit N. Please return one copy to us and retain the other for your records.

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TASTEY FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A
FRANCHISE AGREEMENT

2024 Franchise Agreement



TASTEA FRANCHISING, LLC
FRANCHISE AGREEMENT

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TASTEY FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBITS

- EXHIBIT A: ENTITY INFORMATION DISCLOSURE
- EXHIBIT B: FRANCHISED LOCATION
- EXHIBIT C: GUARANTEE OF FRANCHISE AGREEMENT
- EXHIBIT D: DEBIT AUTHORIZATION FORM
- EXHIBIT E: ADDENDUM FOR TEA BAR PURCHASE

TASTEА FRANCHISING, LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made this ____ day of _____, 20____ (the “**Effective Date**”), by and between TASTEА FRANCHISING, LLC, a California limited liability company (“**Franchisor**”), on the one hand, and _____, a _____ (“**Franchisee**”), on the other hand, who are individually referred to in this Agreement as a “**Party**”, and collectively referred to in this Agreement as “**Parties**”.

RECITALS

- A. Franchisor and Franchisor’s Affiliates have developed and continue to develop the Tasteа System for the establishment and operation of one or more Tasteа Tea Bars using of one or more Tasteа Marks.
- B. Franchisee desires to obtain a license and franchise to develop and operate a single Tasteа Tea Bar, under the Tasteа Marks and in strict compliance with (i) the Tasteа System, (ii) the standards and specifications established by Franchisor from time to time, and (iii) the terms and conditions of this Agreement, and Franchisor is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.
- C. Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations, and customer service and the necessity of operating a Tasteа Tea Bar in conformity with Franchisor’s standards and specifications.
- D. Franchisee represents and warrants to Franchisor, as an inducement to Franchisor’s execution of this Agreement, that the information set forth in the Entity Information Disclosure attached to this Agreement as Exhibit A is true, accurate and complete in all material respects on the Effective Date and that Franchisee shall provide Franchisor with all additional information Franchisor may request with respect to the Owners and the ownership of Franchisee. In addition, Franchisee shall notify Franchisor within ten (10) days of any change in any information set forth in the Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Franchisee to be true, correct and complete in all material respects. Franchisee acknowledges and agrees that Franchisor’s grant to Franchisee of the franchise and license under this Agreement is in reliance upon each and all of the terms of the Entity Information Disclosure.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth under this Section 1. Terms not defined under this Section 1 shall have the meanings specified elsewhere in the text of this Agreement.

“Abandon” means (i) Franchisee’s failure, at any time during the Term, to keep the Tastea Tea Bar open and operating for business for a period of five (5) consecutive days, except as provided in the Manuals, (ii) Franchisee’s failure to keep the Tastea Tea Bar open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Tastea Tea Bar, unless the failure to operate is due to Force Majeure (subject to Franchisee’s continuing compliance with this Agreement), (iii) Franchisee’s failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Tastea Tea Bar solely with the Tastea name, (iv) the withdrawal of permission from the Landlord that results in Franchisee’s inability to continue operation of the Tastea Tea Bar at the Franchised Location, or (v) a closure of the Tastea Tea Bar required by Applicable Law.

“Additional Training Programs” shall have the meaning set forth in Section 6.3.

“Affiliate” or **“Affiliates”** mean any person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement. Control of such person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise.

“Anti-Terrorism Laws” shall have the meaning set forth in Section 16.10.

“Applicable Law” means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of the Tastea Tea Bar that are in effect on or after the Effective Date, as they may be amended from time to time.

“Approved Suppliers” means suppliers of one or more Tastea Branded Products, Tastea Proprietary Products and Non-Proprietary Products, and ancillary services, food products, beverages, supplies, furniture, fixtures and equipment for one or more Tastea Tea Bars, which suppliers have been accepted and approved by Franchisor because they have demonstrated to Franchisor their ability to supply products and services meeting Franchisor’s specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, compliance with standards and regulations of Governmental Authority, reliability with respect to delivery and consistency in the quality of their products or services. Franchisor and its Affiliates may be Approved Suppliers.

“Assignment” shall have the meaning set forth in Section 15.2.1.

“Authorized Tastea Products” means all Tastea Branded Products, Tastea Proprietary Products and Non-Proprietary Products offered for sale or use at one or more Tastea Tea Bars, as specified by Franchisor from time to time.

“Co-Branding” means the operation of an independent business, product line, services, or operating system owned or licensed by another Entity (not Franchisor) that is featured or incorporated within the Tastea Tea Bar or is adjacent to the Tastea Tea Bar and operated in a manner likely to cause the public to perceive it is related to the Tastea Tea Bar. An example would be an independent ice cream store or counter installed within the Tastea Tea Bar.

“Competitive Business” means any shop, establishment or business that prepares, offers or sells teas, smoothies, slushies, coffee beverages, shaved ice, or other specialty beverages as a primary menu item or any shop, establishment or business that looks like, copies, imitates, or operates with a similar trade dress or décor to the Tastea Tea Bar.

“Confidential Information” shall have the meaning set forth in Section 12.1.

“Constituents” means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives, and advisors and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and advisors of each of the foregoing.

“Crisis Management Event” means any event that occurs at or about the Tastea Tea Bar that has or may cause damage, harm or injury, including, without limitation, food contamination, food spoilage or poisoning, food tampering or sabotage, contagious diseases, natural disasters, terrorist acts, criminal acts, shootings or any other circumstance which may cause damage, harm or injury the Tastea System, the Tastea Marks, or the image or reputation of Franchisor or any of its Affiliates or to any customers, employees, or personnel of the Tastea Tea Bar.

“Default” means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

“Direct Claim” shall have the meaning set forth in Section 19.4.1.

“Entity” means any limited liability company, partnership, trust, association, corporation, or other legal entity, which is not an individual.

“Equity” means capital stock, membership interests, partnership interests, or other ownership interests of an Entity.

“Exercise Date” shall have the meaning set forth in Section 18.6.

“Expiration Date” means the tenth anniversary of the Opening Date.

“Fair Market Value” shall have the meaning set forth in Section 18.6.

“Force Majeure” means any event that satisfies all of the following criteria: (i) that was reasonably unforeseeable as of the Effective Date, (ii) that is beyond the reasonable control, directly or indirectly, of a Party, (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence, (iv) that does not result from the fault or negligence of that Party or any of its agents, employees or contractors, and (v) that causes performance by that Party to be delayed, in whole or in part, or that causes that Party to be unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of all of the foregoing criteria, **“Force Majeure”** includes (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance, (d) unilateral governmental action impacting tea, coffee or smoothie shops generally, and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy, or a party foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any Governmental Authority. Notwithstanding the foregoing, neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, contractor, or other person, or Franchisee’s financial inability to perform or Franchisee’s insolvency, shall be an event of Force Majeure hereunder.

“Franchisee Conference Fee” means the fee Franchisee must pay Franchisor towards the cost of each Annual Franchisee Conference held by Franchisor.

“Franchised Location” means the site of the Tastea Tea Bar operated by Franchisee at

“Franchised Rights” shall have the meaning set forth in Section 2.1.

“General Manager” means an individual, acceptable to Franchisor, who is responsible for overseeing the operation of the Tastea Tea Bar in the absence of the Operating Partner.

“General Release” means the form of general release prescribed by Franchisor that releases any and all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, whether known or unknown, against Franchisor and its Constituents. A General Release will cover future consequences of acts, omissions, events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not yet occurred at the time the General Release is executed.

“Good Standing” means Franchisee is in compliance with the terms and conditions of this Agreement, the Manuals and all other agreements then in effect between Franchisor, or any of its Affiliates, and Franchisee, and Franchisee has cured each Default for which Franchisor has issued a Notice of Default to Franchisee within the applicable time periods set forth in Section 17.

“Governmental Authority” means any and all federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

“Gross Sales” means the total of all revenues and value derived from sales of any nature or kind whatsoever from the Tastea Tea Bar during the Term, whether evidenced by cash, services, property, barter, or other means of exchange or benefit, including orders taken in or from the Tastea Tea Bar although filled elsewhere. **“Gross Sales”** shall include the full value of beverages and foods that Franchisee provides to its employees or personnel as incident to or in connection with their employment or services (less the amount of any normal and ordinary course of business discounts against Gross Sales given during the month in which the beverages and foods were provided), plus the full value of beverages and foods that Franchisee provides for promotional or marketing purposes, plus all proceeds from the sale or provision of coupons, gift certificates, vouchers, or similar items. **“Gross Sales”** shall exclude the amount of bona fide refunds paid to customers, the amount of any sales or use taxes actually paid by Franchisee to any Governmental Authority, and the retail price of any coupons, gift certificates and vouchers sold in the ordinary course of business when they are redeemed by customers in the ordinary course of business.

“Improvements” shall have the meaning set forth in Section 8.18.1.

“Indemnifiable Claim” shall have the meaning set forth in Section 19.4.

“Indemnitees” shall have the meaning set forth in Section 19.4.

“Indemnitors” shall have the meaning set forth in Section 19.4.

“Initial Franchise Fee” means the initial fee that Franchisee must pay Franchisor as set forth in Section 4.1 for granting of the Franchised Rights by Franchisor to Franchisee to operate the Tastea Tea Bar under this Agreement.

“Initial Term” means the ten (10) year period commencing on the Opening Date and ending on the Expiration Date.

“Initial Training Program” shall have the meaning set forth in Section 6.1.

“Landlord” means the real property owner of the Franchised Location who enters into a Lease with Franchisee for the Franchised Location or such owner’s property manager or other representative.

“Lease” shall mean any agreement, however denominated, between Franchisee and Landlord that allows Franchisee to occupy the Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license or similar arrangement between Franchisee and Landlord.

“Losses and Expenses” shall have the meaning set forth in Section 19.4.

“Manuals” means Franchisor’s Operations Manual, one or more separate manuals, as well as audiotapes, videotapes, compact discs, computer software, information available on an internet or intranet site, other electronic media, bulletins and/or other written materials, in connection with and including but not limited to promotions, recipe instructions, and operational and employee training procedures related to the Tastea System or any part thereof, as they such manuals may be amended, supplemented, issued and revised from time to time by Franchisor.

“Non-Proprietary Products” means solely the food products, condiments, liquid, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, menus, packaging, forms, customer comment cards, POS Systems, computer hardware, off-the-shelf software, modems, printers and other computing peripheral equipment that Franchisee may or must use, offer or sell at the Tastea Tea Bar and that, in all cases, are generally available to persons in the food and beverage industry. Notwithstanding anything to the contrary, **“Non-Proprietary Products”** shall not include any Tastea Branded Products or any Tastea Proprietary Products.

“Notice of Default” shall have the meaning set forth in Section 17.3.

“Open,” “Open For Business,” “Opened” and “Opened For Business” means that Franchisee actually has begun to offer Authorized Tastea Products for sale to the public from the Tastea Tea Bar.

“Opening Date” means the day that (i) Franchisee receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at the Tastea Tea Bar, and (ii) Franchisee actually begins to offer Authorized Tastea Products for sale to the public from the Tastea Tea Bar, whichever occurs last.

“Operating Partner” means the individual designated by Franchisee on Exhibit A, and accepted by Franchisor, to serve as primary operator of the Tastea Tea Bar, to serve as the authorized representative of Franchisee, who shall act as Franchisee’s representative in all matters with Franchisor, as Franchisee’s liaison with Franchisor and the Owners, and shall have the authority to act on behalf of Franchisee during the Term without the participation of any other Owner.

“Owner” means the individual(s) listed on Exhibit A and each future direct or indirect shareholder, member, general or limited partner, trustee or other Equity owner of Franchisee. If Franchisee is an Entity, each Owner and each Owner’s spouse shall jointly and severally guarantee Franchisees performance of its obligations in this Agreement under a Guarantee in the

form of Exhibit C.

“Permits” means and include all applicable franchises, licenses, permits, registrations, certificates and other operating authority required by Applicable Law.

“POS System” shall have the meaning set forth in Section 8.4.

“Post Termination Gross Sales” shall have the meaning set forth in Section 16.4.1.

“Proposed Buyer” shall have the meaning set forth in Section 15.3.1.

“Purchase Notice” shall have the meaning set forth in Section 15.3.3.

“Purchase Price” shall have the meaning set forth in Section 18.6.

“Qualified Assignment” shall have the meaning set forth in Section 15.2.5.

“Recommended Suppliers” means suppliers of Non-Proprietary Products who are recommended by Franchisee to become Approved Suppliers.

“Relocation Fee” means the fee that Franchisee must pay Franchisor as compensation for Franchisor’s services in connection to assistance provided in reviewing, accepting, and relocating Franchisee’s Tastea Tea Bar to a new location.

“Reporting Information” shall have the meaning set forth in Section 13.1.

“Renewal Franchise Agreement” shall have the meaning set forth in Section 3.2.

“Renewal Right” shall have the meaning set forth in Section 3.2.

“Renewal Term” means two (2) renewal terms of five (5) year periods each commencing on the Expiration Date and ending on the Renewal Term Expiration Date.

“Renewal Term Expiration Date” means the fifth anniversary of the commencement date of each applicable Renewal Term.

“Restricted Persons” means Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers and Affiliates of each of them, and the spouse of each of the foregoing who are individuals.

“Royalty Fee” shall have the meaning set forth in Section 4.2.

“Tastea Branded Products” means any product now existing or developed in the future that

bears any of the Tastea Marks, including products that are prepared, sold and/or manufactured in accordance with Franchisor's recipes, formulations, ingredients, compositions, methods, methodologies, processes, standards, specifications, and/or information, including pre-packaged food and beverage products, clothing, souvenirs, and novelty items.

"Tastea Franchise Agreements" means franchise agreements in existence from time to time between Franchisor and other Tastea Franchisees for Tastea Tea Bars.

"Tastea Franchisees" means the parties who enter into Tastea Franchise Agreements with Franchisor to operate one or more Tastea Tea Bars. **"Tastea Franchisees"** includes Franchisee under this Agreement.

"Tastea Marks" means one or more trademarks, tradenames, service marks, logos and commercial symbols, now existing or created in the future, used or that may be used in connection with a Tastea Tea Bar and/or as part of the Tastea System.

"Tastea Proprietary Products" means those food products, beverages, packaging and other products which are created, conceived, produced, developed, or manufactured from time to time in accordance with or using any Trade Secrets, Confidential Information, or other confidential or proprietary information, processes, methods, methodologies, recipes, specifications, formulas, and/or intellectual property rights of Franchisor or any of its Affiliates, or that Franchisor otherwise designates as proprietary or confidential. **"Tastea Proprietary Products"** includes Non-Proprietary Products that may from time to time be created, conceived, produced, developed, manufactured, or derived through the use of any Trade Secrets, Confidential Information, or other confidential or proprietary information, process, method, methodology, recipe, specification, formula or intellectual property right of Franchisor or any of its Affiliates.

"Tastea Proprietary Products" includes any and all Confidential Information contained or embodied therein.

"Tastea System" means the unique system developed by Franchisor and Franchisor's Affiliates that includes the operations, operating methods, methodologies, processes and practices related to one or more Tastea Tea Bars, Authorized Tastea Products and/or Tastea Marks, including (i) the business practices between Franchisor and one or more of Tastea Franchisees, (ii) interior and exterior Tastea Tea Bar designs and decor, (iii) items or elements of trade dress, (iv) specifications for products, equipment, fixtures and uniforms, (v) defined product offerings and menu items, (vi) recipes, formulations, and ingredients, (vii) preparation methods, methodologies, processes, and practices, (viii) specified pricing and promotions, (ix) operating and administrative procedures, (x) management and technical training programs, (xi) marketing and public relations programs, (xii) Franchisor's website, Intranet and related content; and (xiii) other items that may from time to time be created, conceived, produced, and/or developed in connection with one or more Tastea Tea Bars, Authorized Tastea Products and/or Tastea Marks; all and in each case as Franchisor may add to, delete from, modify, supplement, or otherwise change from time to time. **"Tastea System"** includes Tastea Marks, Authorized Tastea Products

and Improvements. **“Tastea System”** also includes any and all Confidential Information contained or embodied therein.

“Tastea Tea Bar” means quick service restaurants offering handcrafted fruit and milk-based tea drinks, iced tea, iced and cold brew coffee, smoothies, and slushies with add-on options and a limited menu of fried specialty “Good Eats” items currently consisting of Asian style and seasoned French fries, hand-battered popcorn chicken and shrimp under one or more Tastea Marks. Use of the term **“Tastea Tea Bar”** with respect to Franchisee means the Tastea Tea Bar located at the Franchised Location to be operated by Franchisee under this Agreement.

“Tastea Tea Bar Assets” shall have the meaning set forth in Section 18.6.

“Term” means the Initial Term and, as applicable, the Renewal Term.

“Then-Current” means, as the context of this Agreement indicates: (i) the Tastea Franchise Agreement and/or other documentation then-currently provided to or required by Franchisor for similarly situated prospective Tastea Franchisees, or if not then being so provided or required, then the Tastea Franchise Agreement and/or other documentation selected by Franchisor in its discretion which previously have been delivered to and executed by a Tastea Franchisee, (ii) the fees and royalties then-currently charged by Franchisor for services provided by Franchisor and/or in connection with the Tastea System or any part thereof, and (iii) other conditions, qualifications, or requirements as Franchisor may require in connection with Tastea Franchisees, prospective Tastea Franchisees and/or the Tastea System (or any part thereof).

“Third Party Claim” shall have the meaning set forth in Section 19.4.1.

“Third Party Offer” shall have the meaning set forth in Section 15.3.1.

“Trade Secrets” means proprietary and Confidential Information of Franchisor or any of its Affiliates, including recipes, formulations, ingredients, compositions, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies, methods, methodologies, processes, and techniques in connection with the Tastea System or any part thereof, including in connection with the design, creation, implementation, operation and/or maintenance of a Tastea Tea Bar or any aspect thereof and/or in connection with producing one or more Authorized Tastea Products. **“Trade Secrets”** includes the use or implementation of one or more Non-Proprietary Products in a proprietary and confidential manner as part of the Tastea System, and the specifications, procedures, know-how, methods, methodologies, processes, techniques and other information related thereto. **“Trade Secrets”** excludes information that is or becomes a part of the public domain through publication or communication by Franchisor or its Affiliates.

2. GRANT

- 2.1. **Grant.** Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a limited, non-exclusive right and license, during the Initial Term, to use and display certain Tastea Marks and certain aspects of the Tastea System, in each case as determined by Franchisor from time to time, solely for Franchisee's purpose to continuously develop and operate one (1) Tastea Tea Bar at, and only at, the Franchised Location, upon the terms and subject to the provisions and obligations of this Agreement and all ancillary documents between Franchisor and Franchisee or binding on Franchisee in connection therewith (the "**Franchised Rights**"). Franchisee shall not, and is not entitled to, sublicense, sublease, subcontract, award, transfer, or enter into any management or other agreement in connection with any Franchised Rights or otherwise providing for the right to possess, occupy or operate the Tastea Tea Bar or to use or the Tastea System or any part thereof. Franchisee shall have no territorial or protective rights with respect to the Tastea Tea Bar or any Franchised Rights, and Franchisor shall have the right to place other Tastea Tea Bars anywhere it desires. Franchisee shall not receive an exclusive territory.
- 2.2. **Rights Reserved by Franchisor.** Except for the Franchised Rights specifically granted to Franchisee in Section 2.2, Franchisor and its Affiliates expressly reserve all other rights with respect to the Tastea System, the Tastea Marks and other Tastea Tea Bars, including the exclusive right, in their discretion, directly or indirectly, without granting Franchisee any rights in the same:
- 2.2.1. To develop, own and/or operate, and to grant franchises to third parties to develop, own and/or operate, as applicable, Tastea Tea Bars at any location, without restriction, regardless of their proximity to the Tastea Tea Bar.
 - 2.2.2. To develop, own and/or operate, and to grant franchises to third parties to develop, own and/or operate, as applicable, any other businesses, including beverage and snack or food business, other than a Competitive Business, under marks and systems different from the Tastea Marks and the Tastea System at any location regardless of their proximity to the Tastea Tea Bar.
 - 2.2.3. To sell or distribute, at retail or wholesale, directly or indirectly, or license or sublicense others to sell or distribute, Tastea Branded Products at any location, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods.
 - 2.2.4. To market on the Internet and use the Tastea Marks on the Internet, including all uses of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media.

3. INITIAL TERM AND RENEWAL RIGHTS

- 3.1. **Initial Term.** Unless earlier terminated as provided under Section 17 of this Agreement, the Initial Term of this Agreement shall begin on the Effective Date and shall expire on the Expiration Date.
- 3.2. **Renewal Right.** Subject to the terms and conditions of this Section 3, upon the expiration of the Initial Term, Franchisee shall have the right (the “**Renewal Right**”) to enter into a new Then-Current written franchise agreement in the form then generally being offered by Franchisor to prospective Tastea Tea Franchisees (the “**Renewal Franchise Agreement**”) for the Renewal Term. The Initial Franchise Fee and the Royalty Fees payable by Franchisee during the Renewal Term shall be identical to the Initial Franchise Fee and the Royalty Fees payable by new Tastea Franchisees under their Tastea Franchise Agreements. If Franchisee desires to exercise the Renewal Right, Franchisee shall, no less than eighteen (18) months prior to the Expiration Date, notify Franchisor in writing (the “**Renewal Notice**”) that Franchisee desires to exercise the Renewal Right. Except with respect to the Renewal Right, the Franchised Rights are not otherwise renewable or extendable by Franchisee.
- 3.3. **Conditions to Renewal.** Franchisee may exercise the Renewal Right only if all of the following conditions precedent are satisfied prior to the Expiration Date: (i) Franchisee shall have fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Franchisee or binding on Franchisee in connection therewith, and Franchisee shall be in Good Standing on the date of the Renewal Notice, on the date of Franchisor’s execution of the Renewal Franchise Agreement and on the Expiration Date; (ii) Franchisee shall, prior to the commencement date of the Renewal Term, undertake and complete at its expense, the remodeling, renovation, modernization, or refurbishing of the Franchised Location and the Tastea Tea Bar to comply with Franchisor’s Then-Current specifications and standards for new Tastea Tea Bars, (iii) Franchisee shall not have committed three (3) or more Defaults during any twelve (12) month period during the Initial Term which were subject to notices of Default issued by Franchisor, whether or not the Defaults were cured; (iv) Franchisee continues to comply with the terms and conditions of this Agreement; (v) Franchisee shall have satisfied Franchisor’s Then-Current qualifications and training requirements; (vi) Franchisee shall have executed and delivered to Franchisor a General Release; (vii) Franchisee shall have paid Franchisor a renewal fee of five thousand dollars (\$5,000) in lieu of an Initial Franchise Fee when Franchisee issues the Renewal Notice to Franchisor; and (viii) Franchisee has executed the Renewal Franchise Agreement and delivered it to Franchisor.
- 3.4. **Renewal Procedures.** Following the expiration of any waiting periods required by Applicable Law and no more than thirty (30) days after Franchisee receives the Then-Current franchise disclosure document, if applicable, and the execution copies of the

Renewal Franchise Agreement, Franchisee shall execute the copies of the Renewal Franchise Agreement and return them to Franchisor. If Franchisee has exercised the Renewal Right in accordance with Section 3.2 and satisfied all of the conditions in Section 3.3 and this Section 3.4, Franchisor shall execute the Renewal Franchise Agreement. If Franchisee fails to perform any of the acts, or deliver any of the notices required under this Section 3 in a timely fashion, the failure to do so shall be deemed an election by Franchisee not to exercise the Renewal Right and shall automatically cause the Renewal Right to lapse and expire.

- 3.5. **Notice Required by Law.** If Applicable Law requires Franchisor to give notice to Franchisee prior to the expiration of the Initial Term, this Agreement shall remain in effect on a week-to-week basis until Franchisor has given the notice required by Applicable Law. If Franchisor is not offering new franchises, is in the process of revising, amending, modifying, or renewing its form of franchise agreement or franchise disclosure document, or is not lawfully able to offer Franchisee its Then-Current form of franchise agreement, at the time Franchisee delivers its Renewal Notice, Franchisor may, in its discretion, (i) offer to renew this Agreement upon the same terms set forth in this Agreement for a renewal term determined in accordance with Section 3.2, or (ii) offer to extend the Initial Term on a week-to-week basis following the expiration of the Initial Term for as long as Franchisor deems necessary or appropriate so that it may lawfully offer its Then-Current form of franchise agreement.

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4. FEES

- 4.1. **Initial Franchise Fee.** On the Effective Date of this Agreement, Franchisee shall pay Franchisor a nonrefundable, Initial Franchise Fee of forty thousand dollars (\$40,000) in the manner provided in Section 4.10.
- 4.2. **Royalty Fees.** Franchisee shall pay Franchisor, in accordance with Section 4.10, a weekly royalty fee equal to six percent (6%) of the Gross Sales of Franchisee's Tastea Tea Bar (the "**Royalty Fee**"). The Royalty Fee shall be paid on Wednesday of each week on the Gross Sales of the Tastea Tea Bar during the previous week. Each payment shall be accompanied by a statement of Gross Sales for the previous calendar week, certified as complete and accurate by the Operating Partner. Franchisee shall also promptly pay Franchisor and its Affiliates, as applicable, when due (i) all amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever, and (ii) all amounts due to Franchisor or its Affiliates for purchases of Tastea Branded Products and Tastea Proprietary Products by Franchisee.
- 4.3. **Marketing Fee.** Franchisee shall pay Franchisor, in accordance with Section 4.10 a weekly marketing fee (the "**Marketing Fee**") equal to one percent (1%) of the Gross Sales of Franchisee's Tastea Tea Bar. The Marketing Fee collected from Franchisee shall be used by Franchisor to conduct regional and national advertising, marketing, and promotional programs as specified in Section 11.4 to maximize general public recognition and acceptance of the Tastea Marks for the benefit of the Tastea System and all Franchisees. The Marketing Fee is due and payable at the same time as the Royalty Fee.
- 4.7. **Loyalty Rewards Program Setup and Monthly Fee.** On the Effective Date of this Agreement, Franchisee shall pay Franchisor a nonrefundable, Loyalty Rewards Program setup fee ("**Loyalty Rewards Program Setup Fee**") of one thousand dollars (\$1,000). Franchisee shall also pay Franchisor a Loyalty Rewards Program monthly fee ("**Loyalty Rewards Program Monthly Fee**") of three hundred dollars (\$300) per month or Franchisor's Then-Current Loyalty Rewards Program Monthly Fee, which shall be used to maintain Franchisor's Loyalty Rewards Program, track and manage gift card redemptions and manage customer engagements connected with Franchisor's customer loyalty and rewards programs.
- 4.8. **Online Ordering and Delivery Setup and Monthly Fee.** On the Effective Date of this Agreement, Franchisee shall pay Franchisor a nonrefundable, online ordering and delivery program setup fee ("**Online Ordering and Delivery Setup Fee**") of one thousand dollars (\$1,000). Franchisee shall also pay Franchisor an online ordering and delivery monthly fee ("**Online Ordering and Delivery Monthly Fee**") of three hundred dollars (\$300) per month or Franchisor's Then-Current Online Ordering and Delivery Monthly Fee, which shall be used to maintain Franchisor's Online Ordering and Delivery Program to enable customers

to order online and receive delivery of authorized products at a place of their convenience.

- 4.9. **Interest and Charges for Late Payments.** If Franchisee fails to pay any amount due to Franchisor under this Agreement by the date payment is due, or if any electronic payment is unpaid because of insufficient funds or otherwise, Franchisee shall additionally be obligated to pay, as a late charge, the sum of two hundred dollars (\$200). Additionally, Franchisee shall pay interest on the amount outstanding at the rate of one and one-half percent (1 1/2%) per month (but not to exceed the maximum legal rate of interest) imposed from the date payment was due until the entire sum and late charge are paid in full. This Section 4.9 does not constitute an agreement by Franchisor to accept any payment after the date payment is due or a commitment by Franchisor to extend credit to, or otherwise finance, Franchisee, and Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement notwithstanding this Section 4.9.
- 4.10. **Manner of Payment.** Franchisee shall pay the Initial Franchise Fee and Royalty Fees to Franchisor from Franchisee's bank account by electronic funds transfer ("**EFT**") or other automatic payment mechanism that Franchisor may designate. Promptly upon Franchisor's request, Franchisee shall execute and deliver to Franchisor the EFT payment form attached to this Agreement as Exhibit D and all pre-authorized check forms and other instruments or drafts required by Franchisor's bank, payable against Franchisee's bank account, to enable Franchisor to draw the Royalty Fees and other sums payable by Franchisee under the terms of this Agreement. Franchisee shall maintain a single bank account for all EFT payments and shall maintain such minimum balance in this account in the amount that Franchisor may reasonably specify from time to time in the Manuals. Franchisee shall not alter or close this account except with Franchisor's prior written approval. Any failure by Franchisee to implement an EFT system in strict accordance with Franchisor's instructions shall constitute a material default of this Agreement.
- 4.10.1. All payments by Franchisee shall be made in US Dollars free and clear of any tax, deduction, offset or withholding of any kind. Franchisee shall register for and collect and report sales tax in compliance with all Applicable Laws. All taxes and penalties thereon, presently or in the future levied in the area in which the Tastea Tea Bar is located on the payments due to Franchisor under this Agreement shall be fully borne by Franchisee.
- 4.10.2. If Franchisee or any other person is required by Applicable Law to make any deduction or withholding on account of tax or other amount from the payments paid or payable to Franchisor under this Agreement, Franchisee shall pay any such tax or other amount before the date on which a penalty for nonpayment or late payment attaches. Payment of such tax, levy, duty or assessment is to be made (if the liability to pay is imposed on Franchisee) for Franchisee's own account or (if the liability to pay is imposed on Franchisor or Franchisor's

Affiliate) on behalf of and in the name of Franchisor or Franchisor's Affiliate, as the case may be. The payments made by Franchisee that are the subject of the relevant deduction, withholding or payment (including any penalties) will be increased to the extent necessary or appropriate to ensure that, after the making of the deduction, withholding or payment of such tax, levy, duty or assessment, Franchisor or Franchisor's Affiliate receives on the due date and retains (free from any liability in respect of the deduction, withholding or payment) a sum equal to the amount Franchisor or Franchisor's Affiliate, as the case may be, would have received and retained had no such deduction, withholding or payment been required or made.

- 4.10.3. Franchisee shall immediately furnish to Franchisor or Franchisor's Affiliate, as the case may be, certified receipts of the payment of any deduction, withholding or payment made, on its account or Franchisor's account. Franchisee shall indemnify Franchisor and its Affiliates, and hold Franchisor and its Affiliates harmless from any claims for any taxes described in this Section 4.10, including any claims occasioned by Franchisee's failure to withhold any taxes imposed by any Governmental Authority on amounts payable by Franchisee pursuant to Sections 4.2 and 4.3 and this Section 4.10.3, and for any liability (including penalties, interest and expenses) arising from or concerning the payment of such taxes.
- 4.11. **Application of Funds.** If Franchisee becomes delinquent in the payment of any obligation to Franchisor hereunder, or under any other agreement with Franchisor, Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligations owed, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to application.
- 4.12. **Security Interest.**
- 4.12.1. Franchisee hereby grants Franchisor a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles owned by Franchisee and located at or used in connection with the Tastea Tea Bar, now or hereafter acquired by Franchisee, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of any assets, all intellectual and proprietary rights of Franchisee, including patents, copyrights and their applications and registrations, to the extent any, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, from Franchisee to Franchisor. Franchisee hereby authorizes Franchisor to, prepare and file all Uniform Commercial Code (and comparable) financing statements and other documents determined necessary or desirable by Franchisor to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code wherever applicable. If Franchisee is in Default of any

of the terms and conditions of this Agreement, Franchisor may, in its discretion, exercise its rights with respect to its security interest. In that event, Franchisee shall remain liable for any deficiency remaining due to Franchisor and shall be entitled to recover any surplus which results after the application of the proceeds derived from the enforcement of the security interest.

- 4.12.2. Notwithstanding anything to the contrary, Franchisee shall not, and is not entitled to, pledge, encumber, hypothecate, or otherwise grant any lien or security interest in or against any Franchised Rights or any other rights granted to or received by Franchisee or any Owner or any of their respective Affiliates under or pursuant to this Agreement.
- 4.13. **Gross-Up Fees.** To insure that Franchisor receives the full Royalty Fee to which Franchisor may be entitled, as the amount thereof may vary from time to time, Franchisee shall pay Franchisor, upon demand, whether in arrears, in advance, in a lump sum or in the same manner as Royalty Fees are paid to Franchisor, the amount of all taxes paid by Franchisor to any Governmental Authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the Governmental Authority's domain during each of Franchisor's fiscal years throughout the entire Term of this Agreement.

5. FRANCHISED LOCATION, CONSTRUCTION AND OPENING FOR BUSINESS

- 5.1. **Franchised Location.** The Tastea Tea Bar shall be located at the Franchised Location. If the address of the Franchised Location has not been inserted in the blank space in Section 1, "Definitions", on the Effective Date, Franchisee shall, within forty-five (45) days after the Effective Date, locate one or more proposed sites that meet Franchisor's Then-Current standards and specifications. Franchisee shall submit to Franchisor all demographic and other information regarding a proposed site and neighboring areas that Franchisor shall require. Franchisor shall accept or reject a proposed site for the Tastea Tea Bar within thirty (30) days after Franchisor receives all of the information that Franchisor requires to evaluate the site. Following Franchisor's approval of a site, Franchisee shall promptly negotiate a Lease for the site and shall submit a copy of the proposed Lease to Franchisor for approval. Franchisee shall not enter into any Lease for a site unless and until Franchisor has approved the site and the Lease in writing. Following Franchisee's execution of the Lease for the Franchised Location, Franchisor and Franchisee shall complete and execute Exhibit B to identify the Franchised Location. Franchisee shall identify the site for the Franchised Location and obtain a fully executed Lease for the site no later than ninety (90) days after the Effective Date. Franchisor may voluntarily, and without obligation, assist Franchisee in selecting an acceptable site for the Franchised Location. Neither Franchisor's assistance, if any, its acceptance of a proposed site, nor its approval of a proposed Lease shall be construed to insure or

guarantee the profitable or successful operation of the Tastea Tea Bar at the site selected by Franchisee or the appropriateness of the Lease, and Franchisor hereby expressly disclaims any responsibility or liability therefor. Franchisee acknowledges its sole responsibility for finding the Franchised Location and compliance with the Lease.

- 5.2. **Lease for Franchised Location.** Franchisee shall not create any obligations on behalf of Franchisor or any of its Affiliates or grant the Landlord any rights against Franchisor or any of its Affiliates, or agree to any term, condition or covenant in the Lease which is inconsistent with any provision of this Agreement. Franchisee shall deliver a fully executed copy of the Lease to Franchisor promptly following its execution, in the form and on the terms previously approved by Franchisor, without further request by Franchisor. The Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of the Lease, that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent, (ii) Franchisor shall have the right (but not the obligation) to succeed to Franchisee's rights under the Lease if Franchisee fails to exercise any option to renew and/or extend the term of the Lease, (iii) upon Franchisee's Default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease, (iii) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Franchisee and the Landlord, (iv) Franchisee shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any franchisee or licensee approved by Franchisor, and (v) Franchisor shall have the right to enter the Franchised Location to remove all of the Tastea Marks and other indications of the Tastea System from the Franchised Location and modify the decor of the Franchised Location so that it no longer resembles, in whole or in part, a Tastea Tea Bar if Franchisee fails to promptly do so. If Franchisor elects to succeed to Franchisee's rights under the Lease, Franchisee shall assign to Franchisor all of Franchisee's right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary, appropriate or advisable to effect the assignment within ten (10) days after written demand by Franchisor to do so.
- 5.3. **Design and Construction.** Franchisor shall make available, at no charge to Franchisee, Franchisor's specifications for the décor and layout of a Tastea Tea Bar and the required fixtures, equipment, furnishings, décor, trade dress and signs. At no charge, Franchisor shall review Franchisee's site and floor plans and provide Franchisee with the design layout for Franchisee's Tastea Tea Bar. If necessary, Franchisor shall travel to the Franchised Location to provide additional site design assistance, in which case Franchisee shall pay Franchisor an additional site design assistance fee ("**Additional Site Design Assistance Fee**") of three hundred dollars (\$300) per person per day or Franchisor's Then-Current Additional Site Design Assistance Fee to reimburse Franchisor for travel, lodging, meals and other expenses incurred by its staff in connection with the additional site design assistance. Franchisee shall be responsible for the costs of preparing architectural, engineering and construction drawings and exterior signage plans for the Tastea Tea Bar.

Franchisee shall, at its own expense, adapt the specifications for a prototype Tastea Tea Bar to conform to the characteristics of the Franchised Location and shall submit the final plans to Franchisor within forty-five (45) days after Franchisee obtains possession of the Franchised Location. Franchisor shall review and accept or reject the plans within fifteen (15) days after receiving them from Franchisee. Before commencing any renovation or construction, Franchisee shall employ a licensed architect and engineer to prepare preliminary and final architectural and engineering drawings and specifications of the Tastea Tea Bar in accordance with Franchisor's standard architectural plans and specifications for a prototype Tastea Tea Bar. Franchisee shall obtain Franchisor's prior written consent before deviating from Franchisor's architectural plans and specifications. Franchisee shall use the architect designated by Franchisor for construction of the Tastea Tea Bar or obtain Franchisor's prior written consent to use an architect other than Franchisor's designated architect. Franchisee shall, at its own expense, obtain all zoning classifications, Permits, and clearances for construction and shall, subject only to Force Majeure, complete construction of the Tastea Tea Bar within one hundred eighty (180) days after the Effective Date. Franchisee shall notify Franchisor of the anticipated construction completion date and, within a reasonable time after construction is completed Franchisor shall have the right, but not the obligation, to conduct a final inspection of the Tastea Tea Bar.

- 5.4. **Open for Business.** The Tastea Tea Bar shall Open For Business no later than one hundred eighty (180) days after the Effective Date, unless Franchisor extends the date for the required Opening of the Tastea Tea Bar in writing. Franchisor shall not unreasonably withhold its consent to Franchisee's request for additional time to Open the Tastea Tea Bar. Franchisee shall not Open the Tastea Tea Bar without the express written authorization of Franchisor, which authorization may be conditioned upon Franchisee's strict compliance with the specifications of the approved final plans and Tastea System standards, the General Manager's completion of the initial training program and Franchisee's compliance with staffing and other requirements. Franchisee shall Open the Tastea Tea Bar for business following receipt of a temporary or permanent certificate of occupancy and no more than ten (10) days after receipt of Franchisor's written authorization to Open.
- 5.5. **Relocation of Tastea Tea Bar.** Franchisee may not relocate the Tastea Tea Bar from the Franchised Location without Franchisor's prior written consent. Franchisee shall pay Franchisor the Relocation Fee before relocating Franchisee's Tastea Tea Bar equal to fifty percent (50%) of Initial Franchise Fee to compensate Franchisor for its services in connection to assistance provided in reviewing, accepting, and relocating Franchisee's Tastea Tea Bar to a new location. If Franchisor consents to a relocation, Franchisee shall de-identify the former Franchised Location in the manner described in Section 18.1 and shall reimburse and indemnify and hold Franchisor and its Affiliates harmless from any direct and indirect losses, costs and expenses, including reasonable attorneys' fees and costs, arising out of Franchisee's failure to do so. If Franchisor consents to a relocation of the Tastea Tea Bar during the Term, Franchisee shall have twelve (12) months from the

date of Franchisor's approval of the new Franchised Location to secure the new Franchised Location and to Open and operate the Tastea Tea Bar at the new Franchised Location. Once Franchisee has identified the new Franchised Location, Franchisor has approved it, and the Lease has been approved by Franchisor, Franchisor will prepare a new copy of Exhibit B and provide it to Franchisee. If Franchisee fails to secure the new Franchised Location within twelve (12) months of the date of Franchisor's approval of the new Franchised Location, Franchisor shall have the right to estimate and bill Franchisee for Royalty Fees for the time period following the expiration of the twelve (12) month period based upon the Royalty Fees received for the Tastea Tea Bar during the identical periods of the last preceding calendar year plus an additional ten percent (10%) of such amount or, if the Tastea Tea Bar was not in operation during the identical period of the last preceding year, based upon the average Royalty Fees paid during the number of months the Tastea Tea Bar was in operation plus an additional ten percent (10%) of that amount.

6. OBLIGATIONS OF FRANCHISOR

- 6.1. **Initial Training Program.** Franchisor shall provide an initial training program in certain aspects of the Tastea System and methods of operation of a Tastea Tea Bar (the "**Initial Training Program**") at Franchisor's corporate training facility or one of Franchisor's company-owned Tastea Tea Bars in Southern California, for up to two (2) persons selected by Franchisee as the Operating Partner and General Manager. If the Tastea Tea Bar is the first Tastea Tea Bar to be operated by Franchisee, Franchisor shall provide training, instructors, a training manual, and other materials at no charge to Franchisee. Other than the Operating Partner and General Manager, Franchisee shall pay Franchisor a daily fee ("Additional Initial Training Fee") of three hundred dollars (\$300) or Franchisor's Then-Current Additional Initial Training Fee for each additional trainee. The Initial Training Program will consist of up to six (6) weeks of training and must be completed before training is provided at Franchisee's Franchised Location in preparation for Franchisee Tastea Tea Bar's Soft Opening. The Initial Training Program shall not be provided if (i) Franchisee or any Affiliate of Franchisee owns or operates a Tastea Tea Bar as of the Effective Date, or (ii) this Agreement is executed as a Renewal Franchise Agreement. Franchisor shall determine the contents and manner of conducting the Initial Training Program in its discretion, however, the Initial Training Program will be structured to provide practical training in the implementation and operation of a Tastea Tea Bar and may include such topics as on-site drink and food preparation, portion control, preparation and cooking procedures, packaging procedures, Tastea standards, marketing and customer service techniques, reports and equipment maintenance. Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Tastea Tea Bar, Franchisor, in its sole discretion, shall determine if Franchisee, the Operating Partner and/or the General Manager have satisfactorily completed the Initial Training Program.

- 6.2. **Pre-Opening Training Program.** After the Initial Training Program and before Franchisee Tastea Tea Bar's scheduled Soft Opening, Franchisor shall provide Franchisee, Franchisee's management, and employees with up to a total of two (2) weeks of training at the Franchised Location (the "**Pre-Opening Training Program**"). The first part of the Pre-Opening Training Program, comprising of one (1) week of training, shall be scheduled after final inspections of Franchisee's Tastea Tea Bar by the city, fire and health departments. The second part of the Pre-Opening Training Program, comprising of up to another one (1) week of training, shall be scheduled before Franchisee Tastea Tea Bar's scheduled Soft Opening. During that time, Franchisor shall also evaluate Franchisee's opening readiness which includes testing all equipment, reviewing Franchisee Tastea Tea Bar's setup, and making sure Tastea's quality control and operations standards are met.
- 6.3. **Additional Training Programs.** From time to time, Franchisor may provide additional training comprising of refresher, remedial, or new training, or seminars ("**Additional Training Programs**") that Franchisee may be required to attend and complete as part of Franchisee's obligations under Section 8.3.
- 6.4. **Manuals.** Franchisor will provide Franchisee with access to its Then-Current Manuals via the Intranet (as described in Section 8.18) during the Term of this Agreement. Franchisee may print up to three (3) physical copies of the Then-Current Manuals at Franchisee's own cost. Franchisee must notify Franchisor in writing when a copy has been printed. The Manuals may change from time to time during the Term of this Agreement. The Manuals are, and at all times shall remain Franchisor's sole property and shall promptly be deleted, destroyed or returned by Franchisee to Franchisor upon expiration, termination or an Assignment of this Agreement, and Franchisor shall certify in writing that all copies provided to Franchisee have been destroyed or returned to Franchisor. If Franchisee misplaces the Manuals or fails to return or destroy the Manuals or fails to certify the return or destruction of the Manuals to Franchisor upon demand, Franchisee shall pay Franchisor the sum of five hundred dollars (\$500) per Manual as a lost manual fee. Franchisee shall treat all information contained in the Manuals as Confidential Information and shall use all reasonable efforts to keep such information confidential. Franchisee shall not, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce or create summaries or extracts of the Manuals, in whole or in part, or otherwise make them available to any person not required to have access to their contents in order to carry out their employment functions to Franchisee. The Manuals contain both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the Tastea System and Franchisee's obligations under this Agreement. The Manuals, as modified by Franchisor from time to time, are an integral part of this Agreement and all provisions now or hereafter contained in the Manuals or otherwise communicated to Franchisee in writing are expressly incorporated into this Agreement by this reference and made a part of this Agreement. Franchisee shall comply with all mandatory requirements now or hereafter included in the Manuals, and acknowledges and agrees that a breach of any mandatory requirement shall constitute a Default of this Agreement and grounds for termination. Franchisor reserves the right to

modify the Manuals from time to time to reflect changes that it may implement in the mandatory and recommended specifications, standards and operating procedures of the Tastea System. Franchisee shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Franchisor.

- 6.5. **Consultation.** Franchisor may provide consultation to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues that Franchisee brings to Franchisor's attention including, without limitation, new services and products, mandatory and recommended specifications, standards and operating procedures of the Tastea System. Franchisor's consultation may be provided by telephone, in writing, electronically, in person, or by other means. Consultation provided under this Section 6.5 is provided by Franchisor in its discretion and is provided at no charge. Additional consultation may be provided by Franchisor, subject to payment by Franchisee of Franchisor's Then-Current fees.
- 6.6. **Inspection.** Franchisor's authorized representatives shall have the right, but not the obligation, from time to time, to enter the Tastea Tea Bar during business hours, to examine the Tastea Tea Bar, to confer with Franchisee's employees, inspect and check operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures and equipment, and determine whether the Tastea Tea Bar is being operated in accordance with this Agreement, the Tastea System and the Manuals. Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Tastea Tea Bar during an inspection. If any inspection indicates any deficiency or unsatisfactory condition at the Tastea Tea Bar, Franchisor will notify Franchisee in writing of the deficiencies and Franchisee shall promptly correct, remedy or repair the same. In addition, if any inspection indicates any deficiency or unsatisfactory condition which requires a re-inspection of the Tastea Tea Bar within a period of thirty (30) days, Franchisee shall pay Franchisor, upon demand, the sum of five hundred dollars (\$500) for each re-inspection of the Tastea Tea Bar and shall, in addition, reimburse Franchisor for its out of pocket expenses for the re-inspection, including for transportation costs, food, lodging and similar costs.
- 6.7. **Assignment.** Upon the occurrence of an Assignment, the Proposed Buyer must be trained by Franchisor as a condition to the granting of Franchisor's consent to the Assignment. All costs for this training shall be included in the transfer fee payable by Franchisee in accordance with Section 15.4.7.

7. INTENTIONALLY OMITTED

8. OBLIGATIONS OF FRANCHISEE

- 8.1. **Tastea System.** Franchisee shall comply with Franchisor's standards and shall operate the Tastea Tea Bar in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise. Franchisee shall comply, at Franchisee's expense, with all modifications prescribed by Franchisor and shall implement changes to the Tastea System within the time periods specified by Franchisor following Franchisee's receipt of notice from Franchisor to do so. Franchisee shall refrain from deviating from the methods, standards, and specifications prescribed by Franchisor without Franchisor's prior written consent and from otherwise operating in any manner which reflects adversely or negatively on any Tastea Marks or the Tastea System or any part thereof. Since every detail of the Tastea System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services provided under the Tastea Marks and the Tastea System and to protect the Tastea Marks and reputation and goodwill thereof, Franchisor shall have the right to disapprove, in its discretion, any modification of, or addition to, the Tastea System suggested by Franchisee.
- 8.2. **Initial Training Program and Pre-Opening Training Program.** Franchisee shall attend and complete to Franchisor's satisfaction the Initial Training Program and Pre-Opening Training Program and may not open Franchisee's Tastea Tea Bar until the Initial Training Program and Pre-Opening Training Program have been completed to the satisfaction of Franchisor and Franchisee's management team has been certified by Franchisor. If Franchisee (i) fails to complete the Initial Training Program and Pre-Opening Training Program within six (6) months after the Effective Date, (ii) does not complete the Initial Training Program and Pre-Opening Training Program to Franchisor's satisfaction, (iii) does not, during the Initial Training Program and Pre-Opening Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the Tastea System or this Agreement, or (iv) is not acceptable to become a franchisee of Franchisor for any reason whatsoever, in Franchisor's sole and absolute discretion, Franchisor may terminate this Agreement upon five (5) days' written notice to Franchisee and this Agreement shall thereafter be of no further force or effect. Franchisor shall have the right to retain the Initial Franchise Fee. Franchisor and Franchisee acknowledge and agree that the actual damages to be suffered by Franchisor in this circumstance are difficult, if not impossible, to determine, and that, under all the facts and circumstances, this calculation of Franchisor's potential damages and retention of the Initial Franchise Fee by Franchisor, are a reasonable, good-faith estimate of those damages. If Franchisor requires in its sole discretion, the Operating Partner or General Manager, or both, to retake the entire or any part of the Initial Training Program, Franchisee shall pay Franchisor the Additional Initial Training Fee of three hundred dollars (\$300) per trainee per day or Franchisor's Then-Current Additional Initial Training Fee. If after the Pre-Opening Training Program and before Franchisee Tastea Tea Bar's scheduled Grand Opening, Franchisor determines in its sole discretion that additional training is necessary, Franchisee shall pay Franchisor the Additional Training Program Fee of three

hundred dollars (\$300) per trainer per day or Franchisor's Then-Current Additional Training Program Fee and reimburse Franchisor for travel, lodging, meals and other expenses incurred by its trainers in connection with the additional training. Franchisee shall be responsible for paying Franchisee's, Franchisee management's, and employees' salaries, wages, travel, lodging, meals and other expenses incurred during the Initial Training Program and Pre-Opening Training Program.

- 8.3. **Additional Training Programs.** If Franchisor determines it beneficial or necessary in its discretion, Franchisor may require Franchisee, Franchisee's management, and/or key employees to attend Additional Training Programs at a location to be designated by Franchisor. Required additional training may be applicable in cases of default, or if Franchisee fails to pass Franchisor's inspections, or fails to perform to Franchisor's operating standards. Franchisee may also request the Additional Training Program as needed. If Franchisor is providing the training at the Franchised Location, Franchisee shall pay Franchisor the Additional Training Program Fee of three hundred dollars (\$300) per trainer per day or Franchisor's Then-Current Additional Training Program Fee and reimburse Franchisor for travel, lodging, meals and other expenses incurred by its trainers in connection with the Additional Training Program. If the location of the Additional Training Program is other than at the Franchised Location, Franchisee shall also be responsible for paying Franchisee's, Franchisee management's, and employees' salaries, wages, travel, lodging, meals and other expenses incurred in connection with the Additional Training Program.
- 8.4. **Computer and Point of Sale Systems.** Franchisee shall purchase, use and maintain a computerized point of sale cash collection system (the "**POS System**"), a back office computer and printer, including all related hardware and software, each as specified in the Manuals or otherwise by Franchisor in writing for the Tastea Tea Bar. The POS System shall at all times and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, and accessing the Internet for ordering and maintaining the POS System. The POS System shall be electronically linked to Franchisor's systems, and Franchisee shall allow Franchisor to poll the POS System on a daily or other basis at the times and in the manner established by Franchisor, with or without notice, and to retrieve transaction information including sales, menu mix, usage, and other operations data that Franchisor deems appropriate. Franchisor may require Franchisee to update, upgrade or replace the POS System, including hardware and/or software, from time to time, upon written notice, provided that Franchisee shall not be required to replace the POS System any more frequently than once every three (3) years. The POS System must include the required technology to permit Franchisee to accept online orders of Tastea products and services at the Tastea Tea Bar and to accept and process Tastea gift cards sold in other Tastea Tea Bars. In addition, Franchisee shall purchase, lease or license all computer hardware and software designated by Franchisor for the Tastea Tea Bar at Franchisee's expense. During the Term, Franchisee shall maintain and update all computer hardware and software as required by Franchisor upon ninety (90) days' notice at Franchisee's expense.

- 8.5. **Product Line and Service.** Franchisee shall advertise, sell and serve all and only Authorized Tastea Products at or from the Tastea Tea Bar. All Authorized Tastea Products shall be sold and distributed under the names designated by Franchisor and shall be prepared and served strictly in accordance with Franchisor's methods, standards, and specifications. Franchisee shall not remove any Authorized Tastea Product from Franchisee's menu without Franchisor's written consent. Franchisee shall not sell any Authorized Tastea Products outside of the Tastea Tea Bar or to any customer for the purpose of resale by the customer, and all sales by Franchisee shall be for retail consumption only. Subject to Applicable Law, Franchisor shall have the right to establish pricing guidelines for Authorized Tastea Products and, subject to Applicable Law, Franchisee shall comply with, and be bound by, prices which may be recommended, suggested or advertised by Franchisor.
- 8.6. **Oversight and Management.** The Operating Partner shall be responsible for oversight of the day-to-day operations of the Tastea Tea Bar and shall devote his or her full time and best efforts solely to operation of the Tastea Tea Bar operated by Franchisee and to no other business activities. Franchisee shall provide comprehensive initial training programs, additional training programs and remedial training programs for its General Manager and other employees and personnel of Franchisee, and shall ensure that the Tastea Tea Bar is at all times under the direct control of a General Manager and other employees of Franchisee who are fully trained by Franchisee and solely dedicated to operation of the Tastea Tea Bar. Each General Manager shall have a skill level, training and experience commensurate with the demands of the position and conform in all respects with Franchisor's high standards for quality products, courteous service, and cleanliness of operations. Franchisee, its Operating Partner and each General Manager shall successfully complete the ServSafe® Food Safety Certification Program, or show evidence of prior ServSafe certification. Franchisor may, in its sole discretion, replace the ServSafe® Food Safety Certification Program with another food safety certification program, if deemed appropriate by Franchisor. Franchisee shall be responsible for all fees and costs associated with any certification program. In addition, Franchisor may, in its sole discretion, contract with a third party to conduct sanitation and food safety audits of the Tastea Tea Bar periodically throughout the Term of this Agreement, but no less than once per calendar year.
- 8.7. **Menus.** Authorized Tastea Products shall be marketed by Franchisor-approved menu formats in the Tastea Tea Bar. The approved and authorized menu and menu formats may include, in Franchisor's discretion, requirements on organization, graphics, product descriptions, illustrations and any other matters related to the menu, whether or not similar to those listed. In Franchisor's discretion, the menu and/or menu formats may vary depending upon region, market size and other factors which may affect the Tastea Tea Bar. Franchisor may change the menu and/or menu formats from time to time and authorize tests from region to region or within regions. Franchisee shall, upon receipt of notice from Franchisor, add, delete or update any Authorized Tastea Products on the

menu according to the instructions contained in the notice. Franchisee shall have a minimum of thirty (30) days and not more than sixty (60) days after receipt of written notice in which to fully implement any menu change. Franchisee shall cease selling previously approved Authorized Tastea Products within thirty (30) days after receipt of notice from Franchisor that the product is no longer approved. All menus, containers, napkins, bags, cups and other packaging and like articles used at the Tastea Tea Bar shall conform to Franchisor's specifications, shall be imprinted with the Tastea Mark(s), if and as specified by Franchisor, and shall be purchased by Franchisee from an Approved Supplier.

- 8.8. **Compliance with Applicable Law.** Franchisee shall operate the Tastea Tea Bar as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies and shall comply with all Applicable Laws. Franchisee shall not cause or allow any part of the Tastea Tea Bar or the Franchised Location to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action which will cause Franchisor to be in violation of any Applicable Law. If Franchisee receives any notice, report, fine, test results or the like from any applicable department of health (or other similar Governmental Authority), Franchisee shall promptly send a copy of the same to Franchisor.
- 8.9. **Hours.** Subject to Applicable Law, the Tastea Tea Bar shall be open and operational at least thirteen (13) hours per day, seven (7) days per week or as otherwise prescribed by Franchisor.
- 8.10. **Gross Sales.** Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible from its Franchised Location, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and Gross Sales.
- 8.11. **Signs.** Franchisee shall maintain approved signs and/or awnings at, on, or near the front of the Tastea Tea Bar, identifying the Franchised Location as a Tastea Tea Bar, which shall conform in all respects to Franchisor's specifications and requirements and the layout and design plan approved for the Franchised Location, subject only to restrictions imposed by Applicable Law.
- 8.12. **Franchisee Employee Policy.** Franchisee shall maintain a competent, conscientious, and trained staff of employees and shall take all steps necessary to ensure that its employees preserve good customer relations, render competent, prompt, courteous, and knowledgeable service, and meet the minimum standards that Franchisor may establish from time to time in the Manuals or otherwise. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be the employees of Franchisor or subject to Franchisor's

direct or indirect control. Franchisee acknowledges and agrees that Franchisee shall be solely responsible for all employment decisions and functions at the Tastea Tea Bar or otherwise with respect to Franchise's employees, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees, and regardless of whether Franchisee receives advice, consultation, or training from Franchisor on these subjects. Franchisee shall immediately defend, reimburse and hold Franchisor and its Affiliates harmless from any direct or indirect losses, costs and expenses, including reasonable attorneys' fees and costs, arising out of any claims made by or for the benefit of any employee of Franchisee against Franchisor or any of Franchisor's Affiliates regarding employment decisions and employee functions, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees. Franchisee shall cause all employees, while working in the Tastea Tea Bar, to wear uniforms of the color, design and other specifications that Franchisor may designate from time to time and to present a neat and clean appearance. If Franchisor removes a type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have thirty (30) days from receipt of Franchisor's written notice of removal to discontinue use of its existing inventory of uniforms and obtain and use the approved type of uniform.

- 8.13. **Vending or Other Machines.** Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Tastea Tea Bar.
- 8.14. **Co-Branding.** Franchisee may not engage in any Co-Branding in or in connection with the Tastea Tea Bar except with Franchisor's prior written consent. Franchisor may approve any Co-Branding chain or arrangement in its discretion, and only if Franchisor has recognized that Co-Branding chain as an approved co-brand for operation within Tastea Tea Bars.
- 8.15. **Customer Complaints and Cooperation.** Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction. At Franchisor's request, Franchisee shall use and display in the Tastea Tea Bar during all operating hours customer comment cards in the manner specified in the Manuals. Franchisee shall, from time to time, purchase from Franchisor or an Approved Supplier, and maintain in the Tastea Tea Bar, a supply of postage prepaid customer comment cards reasonably adequate to meet Franchisee's needs. Franchisee shall at all times cooperate with Franchisor and other franchisees of Franchisor and shall actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs which may be developed and implemented by Franchisor which call for the cooperation of Franchisee and other franchisees of Franchisor. Franchisee shall further cooperate in any additional programs which may be established and designated by Franchisor from time to time, including participating in coupon programs, the system-wide use of gift cards, and other similar

programs for the benefit of the Tastea System, and shall comply with Franchisor's rules and regulations established from time to time in connection herewith. Franchisee shall cooperate with Franchisor in connection with the test marketing of products and services at the Tastea Tea Bar and shall comply with Franchisor's rules and regulations established from time to time in connection herewith.

- 8.16. **Adequate Reserves and Working Capital.** Franchisee shall, at all times, maintain adequate reserves and working capital sufficient for Franchisee to fulfill all of Franchisee's obligations under this Agreement and to cover the risks and contingencies of the Tastea Tea Bar for at least three (3) consecutive months.
- 8.17. **Re-Imaging of Tastea Tea Bar.** Franchisee shall at its own expense, make the alterations, additions, or modifications to the Tastea Tea Bar that Franchisor may reasonably require to accommodate changes made by Franchisor to the Tastea System, including, without limitation, changes to menu items or market positioning. Franchisee shall have ninety (90) days from receipt of notice from Franchisor regarding re-imaging requirements in which to make the required alterations, additions, or modifications to the Tastea Tea Bar.
- 8.18. **Intranet.** If Franchisor establishes a Tastea franchisee Intranet, Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Franchisee acknowledges that, as administrator of the Intranet, Franchisor may access and view any communication posted on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any rights or claims of privacy or privilege that Franchisee, any employee of Franchisee or any other person may assert. Upon receipt of notice from Franchisor that Franchisor has established an Intranet, Franchisee shall establish and continually maintain an electronic connection with the Intranet as specified in the Manuals that allows Franchisor to send messages to and receive messages from Franchisee. If Franchisee Defaults under this Agreement or any other agreement with Franchisor, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee.
- 8.19. **Improvements.**
- 8.19.1. If Franchisee creates, conceives or develops, whether solely or jointly with others, any ideas, concepts, information, know-how, inventions, original works of authorship, specifications, developments, techniques, processes, practices, methods, methodologies, improvements, derivative works, trade secrets, or other proprietary or intellectual property rights, whether or not patentable, protectable or registrable or reduced to practice, in any form or medium, in connection with the Tastea Tea Bar, the Tastea System or any part thereof, (collectively, "**Improvements**"), Franchisee shall promptly notify Franchisor and provide Franchisor with all information, data, documentation, specimen, and

samples related to any and all Improvements. All Improvements shall be the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee hereby assigns, and hereby agrees to assign, to Franchisor any and all rights, title and interests Franchisee may have or acquire in the Improvements, including all intellectual property rights related to the Improvements or any part thereof, and Franchisee hereby waives and releases all rights of restraint and moral rights therein and thereto. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to any Improvement in any and all countries and shall execute and provide Franchisor with all documentation requested by Franchisor for obtaining and enforcing those rights. Franchisee hereby irrevocably designates and appoints Franchisor and its designees as Franchisee's agent and attorney-in-fact to execute and file any documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property rights related to any Improvement.

- 8.19.2. If the assignment of the Improvements to Franchisor in the foregoing provisions of Section 8.19.1 is found to be invalid or otherwise unenforceable, Franchisee hereby grants to Franchisor a worldwide, perpetual, exclusive, fully-paid, royalty-free, transferable, unrestricted license to the Improvements, including the right to use, modify, create derivative works and improvements, grant sublicenses, and otherwise fully commercially exploit any and all Improvements.
- 8.19.3. Franchisee acknowledges and agrees that the provisions of this Section 8.19 are part of the consideration for Franchisor entering into this Agreement and Franchisee is not owed and is not entitled to receive any separate or additional consideration or compensation.
- 8.20. **Refurbishment of Tastea Tea Bar.** At Franchisor's request, but not more often than once every five (5) years unless sooner required by the Lease, Franchisee shall refurbish the Tastea Tea Bar, at its own expense, to conform to Franchisor's Then-Current requirements with respect to the building design, trade dress, color schemes, and presentation of the Tastea Marks in a manner consistent with the Then-Current public image for new or remodeled Tastea Tea Bars, including, without limitation, replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that Franchisor may reasonably require or that may be required by Applicable Law. Franchisee's costs for the required refurbishment shall not exceed one hundred thousand dollars (\$100,000) for the interior of the Tastea Tea Bar or fifty thousand dollars (\$50,000) for the exterior of the Tastea Tea Bar.
- 8.21. **Notifications and Crisis Management Events.** Franchisee shall notify Franchisor in writing within (i) twenty-four (24) hours, and confirm in writing within two (2) days thereafter, of any investigation or violation, actual or alleged, of any health, liquor or narcotics laws or regulation related to the Tastea Tea Bar, and (ii) five (5) days of the commencement of

any investigation, action, suit, or proceeding or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other Governmental Authority which may adversely affect the operation or financial condition of the Tastea Tea Bar. Franchisee shall immediately inform Franchisor's Chief Executive Officer (or as otherwise instructed in the Manuals) by telephone of the occurrence of a Crisis Management Event. Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to a Crisis Management Event.

- 8.22. **Authorization to Release Information.** Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary, appropriate or advisable by Franchisor to effect the authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the Tastea Tea Bar which Franchisor may request. Franchisee further authorizes Franchisor to disclose to prospective franchisees or other third parties data from Franchisee's reports if Franchisor determines, in Franchisor's sole discretion, that the disclosure is necessary, appropriate or advisable.
- 8.23. **Annual Franchisee Conference.** Franchisor may hold an Annual Franchisee Conference for all Tastea franchisees each year. The Operating Partner and each General Manager shall attend the Annual Franchisee Conference. Franchisee shall pay Franchisor a franchisee conference fee ("**Franchisee Conference Fee**") of five hundred dollars (\$500) or Franchisor's Then Current Franchisee Conference Fee to reimburse Franchisor for a portion of the direct costs to provide the Annual Franchisee Conference. Franchisee shall pay the Franchisee Conference Fee upon demand at least thirty (30) days before the date of the Annual Franchisee Conference, whether or not Franchisee attends the Annual Franchisee Conference. Franchisee shall also be responsible for paying for Franchisee's, its management's and employees' salaries, wages, travel, lodging, meals and other expenses incurred in connection with the Annual Franchisee Conference
- 8.24. **Loyalty Rewards Program.** Franchisee shall fully participate in all customer loyalty and rewards programs now and in the future adopted or approved by Franchisor (the "**Loyalty Rewards Program**"). Franchisor currently administers its gift card system through the Loyalty Rewards Program. On signing this Agreement, Franchisee shall pay Franchisor a nonrefundable one thousand dollars (\$1,000) Loyalty Rewards Program setup fee ("**Loyalty Rewards Program Setup Fee**") to establish Franchisee's Loyalty Rewards Program account. During the Term of this Agreement, Franchisee shall also pay Franchisor a Loyalty Rewards Program monthly fee ("**Loyalty Rewards Program Monthly Fee**") of three hundred dollars (\$300) per month or Franchisor's Then-Current Loyalty Rewards Program Monthly Fee which will be used to maintain the Loyalty Rewards Program, track and manage gift card redemptions and manage customer engagements connected with Franchisor's customer loyalty and rewards programs. If the costs to Franchisor for the Loyalty Rewards Program increase, Franchisee shall also pay Franchisee's proportionate share of the increase. Franchisee shall not create or issue any gift certificates or gift cards

and shall only sell gift certificates or gift cards that Franchisor has issued or approved. Franchisee shall participate in all gift certificate and/or gift card administration programs Franchisor designates from time to time. Franchisee shall honor all coupons, gift certificates, gift cards, and other programs or promotions as Franchisor directs. Franchisee shall not issue coupons or discounts of any type for use at Franchisee's Taster Tea Bar, except for those approved by Franchisor in writing and which Franchisor may withhold in its discretion.

- 8.25. **Online Ordering and Delivery Program.** Franchisee shall participate fully in Franchisor's online ordering and delivery program (the "**Online Ordering and Delivery Program**"). On signing this Agreement, Franchisee shall pay Franchisor a non-refundable one thousand dollars (\$1,000) online ordering and delivery set up fee ("**Online Ordering and Delivery Setup Fee**") to establish Franchisee's Online Ordering and Delivery Program account. During the Term this Agreement, Franchisee shall also pay Franchisor an online ordering and delivery monthly fee ("**Online Ordering and Delivery Monthly Fee**") of three hundred dollars (\$300) per month or Franchisor's Then-Current Online Ordering and Delivery Monthly Fee which will enable customers to order online and have delivery of Authorized Taster Products to a place of their convenience. If the costs to Franchisor for the Online Ordering and Delivery Program increase, Franchisee shall also pay Franchisee's proportionate share of the increase.

9. SUPPLIERS AND PRODUCTS

- 9.1. **Approved Suppliers.** All Taster Branded Products, Taster Proprietary Products and Non-Proprietary Products designated by Franchisor for use and sale at the Taster Tea Bar must be purchased from Approved Suppliers. Franchisor and its Affiliates may be, but are not obligated to become, Approved Suppliers of certain Taster Branded Products, Taster Proprietary Products and Non-Proprietary Products and may act as the sole Approved Suppliers of certain Taster Branded Products, Taster Proprietary Products and Non-Proprietary Products. Franchisor may operate an Online Portal that Franchisee can use to buy Taster Branded Products, Taster Proprietary Products, marketing materials, handbooks and menus directly from Approved Suppliers.
- 9.2. **Recommended Suppliers.** If Franchisee desires to purchase authorized Non-Proprietary Products from a Recommended Supplier rather than from Franchisor, its Affiliates or an Approved Supplier, Franchisee shall deliver written notice to Franchisor identifying the Recommended Supplier and shall provide Franchisor with financial, operational and other information regarding the Recommended Supplier as Franchisor may request for Franchisor to assess the Recommended Supplier. Franchisor shall notify Franchisee of Franchisor's decision within sixty (60) days after Franchisor's receipt of all requested information from Franchisee. If Franchisor does not approve or disapprove a Recommended Supplier within sixty (60) days, the Recommended Supplier shall be deemed disapproved. As a condition of its approval, Franchisor may require a

Recommended Supplier to agree in writing to (i) provide, from time to time, upon Franchisor's request, free samples of the Non-Proprietary Product the Recommended Supplier intends to supply to Franchisee, (ii) fully comply with Franchisor's specifications for the Non-Proprietary Products to be sold by the Recommended Supplier, (iii) sell any Non-Proprietary Products bearing any Tastea Marks only to franchisees of Franchisor and only under a written trademark license agreement with Franchisor, (iv) provide Franchisor, upon request, with duplicate purchase invoices issued to Franchisee for Franchisor's records and inspection purposes, and (v) otherwise comply with Franchisor's reasonable requests. Further, if requested by Franchisor, Franchisee or the Recommended Supplier shall pay or reimburse Franchisor for all of Franchisor's reasonably anticipated costs, including reasonable attorneys' fees and costs, in reviewing the application of the Recommended Supplier and all current and future reasonable costs and expenses, including travel and living costs, related to inspecting, re-inspecting and auditing the Recommended Supplier's facilities, equipment, and products, and all product testing costs paid by Franchisor to third parties, and to pay Franchisor, in advance, a deposit of up to one thousand dollars (\$1,000), before Franchisor inspects the Recommended Supplier's facilities. Franchisor may revoke its approval of a previously approved Recommended Supplier if the Recommended Supplier does not continue to satisfy Franchisor's criteria.

9.3. **Purchases from Franchisor or its Affiliates.** All Tastea Branded Products, Tastea Proprietary Products and Non-Proprietary Products purchased from Franchisor shall be purchased in accordance with the purchase order format issued from time to time by Franchisor and at the prices and on delivery terms and other terms offered to similarly situated Tastea Franchisees. Franchisor, in its sole and absolute discretion, may establish the credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis. On the expiration or termination of this Agreement, or in the event of any Default by Franchisee under this Agreement, Franchisor shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee and may, among other things, only deliver the quantities reasonably necessary as determined by Franchisee to supply Franchisee's needs prior to the expiration or termination of this Agreement. Franchisor shall not be liable to Franchisee for any delay or delivery failure caused by Force Majeure.

9.4. **Rebates.** Franchisor or its Affiliates may receive rebates or allowances from certain Approved Suppliers on purchases of Tastea Branded Products, Tastea Proprietary Products and Non-Proprietary Products made by Franchisee and other Tastea Franchisees. Rebates and allowances will generally be a percentage of the revenue derived by the Approved Supplier from sales to Tastea Tea Bars, will be included in Franchisor's general revenue, and may be used by Franchisor for a variety of purposes including ongoing programs, education, marketing, advertising, seminars and conferences, the handling of inquiries and complaints from franchisees' customers and

for general and administrative expenses. Franchisor may use these rebate and allowance funds received for any purpose in its sole and absolute discretion.

10. TASTEA MARKS

- 10.1. **Ownership and Goodwill of Tastea Marks.** Franchisee acknowledges and agrees that the Tastea Marks are used under license from an Affiliate of Franchisor and may be modified by such Affiliate or Franchisor, from time to time. Franchisor and Franchisor's Affiliate continue to develop, use and control the use of the Tastea Marks to identify for the public the source of services and products marketed under the Tastea Marks, and to represent the Tastea System's high standards of quality, appearance and service. Franchisee acknowledges and agrees that its right to use the Tastea Marks is derived solely from this Agreement and is limited to use in operating the Tastea Tea Bar by Franchisee pursuant to and in compliance with this Agreement. Franchisor and its Affiliates shall, at all times, have the right to review and inspect Franchisee's use of the Tastea Marks and other Franchised Rights to assess whether Franchisee's use is in compliance with this Agreement. Any unauthorized use of any Tastea Marks by Franchisee shall constitute a material breach of this Agreement and an infringement of Franchisor's and Franchisor's Affiliate's rights in and to the Tastea Marks. Franchisee acknowledges and agrees that as between Franchisor and Franchisee (i) Franchisor owns the Tastea Marks and the Tastea System and all goodwill associated with any of the foregoing, (ii) Franchisee owns no goodwill or rights in the Tastea Marks or the Tastea System and, except for the license of the Franchised Rights granted to Franchisee by this Agreement, Franchisee has no other right or interest in any Tastea Marks or the Tastea System or any part thereof, and (iii) Franchisee's use of the Tastea Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor. Franchisee hereby agrees, either during the Term or after this Agreement terminates or expires, not to contest, or assist any other person or Entity to contest, the validity of any of the rights, title or interests in the Tastea Marks or the Tastea System (or any part thereof) held by Franchisor or its Affiliates or the enforceability thereof.
- 10.2. **Limitations on Use.** Franchisee shall not use any Tastea Marks (i) with any prefix, suffix, or other words, terms, designs, or symbols (other than logos licensed to Franchisee under this Agreement as a Tastea Mark), (ii) in connection with any unauthorized service or product, (iii) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar electronic delivery system, or (iv) in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give all notices of trademark and service mark registration or other proprietary notices that Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under Applicable Law. Franchisee further agrees that no trademark or servicemark other than "**Tastea**" or other Tastea Marks specified by Franchisor shall be used in marketing, promoting, or operating the Tastea Tea Bar.

10.3. **Modifications.** Franchisor reserves the right from time to time to (i) modify or discontinue licensing any of the Tastea Marks, (ii) add new names, marks, designs, logos or commercial symbols to the Tastea Marks and, in which case, Franchisee shall use them, and (iii) introduce new practices as part of the Tastea System in operating the Tastea Tea Bar and, in which case Franchisee shall observe and implement such new practices. Franchisee acknowledges and agrees that the term “**Tastea Marks**” includes the specific names, marks, designs, logos or commercial symbols licensed by Franchisor at any given point in time, subject to Franchisor’s right to impose changes. Franchisee shall comply, at Franchisee’s sole expense, with Franchisor’s directions regarding changes in the Tastea Marks and Tastea System or any part thereof within a reasonable time after written notice from Franchisor. Franchisor shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with Franchisor’s directions and conforming to Franchisor’s required changes.

10.4. **Defense of Tastea Marks and Tastea System.**

10.4.1. Franchisor shall have the sole right, either alone or with its Affiliate, to handle disputes with Franchisee and third parties concerning Franchisor’s or Franchisor’s Affiliates’ ownership of, rights in, or Franchisee’s or other’s use of, the Tastea Marks or the Tastea System. Franchisee shall immediately notify Franchisor in writing if Franchisee receives notice, or is informed or becomes aware, of any (i) improper use of any of the Tastea Marks or elements of the Tastea System, including misuse by any third parties, (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee’s judgment, may be confusingly similar to any of the Tastea Marks, (iii) use by any third party of any business or business practice which, in Franchisee’s judgment, improperly simulates the Tastea System in a manner likely to confuse or deceive the public, or (iv) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee’s use of the Tastea Marks or the Tastea System. Franchisor and/or Franchisor’s Affiliate shall have sole right and discretion to take any and all action as it/they deem appropriate, including, without limitation, to take no action, and the sole right and discretion to control any dispute, proceeding or negotiation arising out of any infringement, challenge, claim or otherwise relating to any Tastea Marks or the Tastea System or any part thereof. Franchisee has no right to, and shall not, settle or compromise any dispute, claim, proceeding or demand asserted against it. Franchisee hereby agrees to be bound by Franchisor’s decisions in handling any and all disputes, claims, proceedings and demands regarding the Tastea Marks and the Tastea System. Franchisee shall cooperate fully with Franchisor and execute all documents and perform all actions as may, in Franchisor’s judgment, be necessary, appropriate or advisable in the prosecution, enforcement, defense, negotiation and/or resolution of any and all disputes, claims, proceedings and demands and to protect and maintain Franchisor’s rights in the Tastea Marks and the Tastea System.

- 10.4.2. Except to the extent that a third party claim asserted against Franchisee is based upon Franchisee's misuse of any Tastea Marks or the Tastea System or any part thereof or Franchisee's act or omission in breach of this Agreement or in violation of Applicable Law, Franchisor agrees to defend Franchisee against a third party claim and indemnify Franchisee for any reasonable and actual losses suffered by Franchisee resulting from such third party claim for Franchisee's authorized, proper and lawful use of the Franchised Rights in strict compliance with the terms and conditions of this Agreement and Applicable Laws, provided Franchisee has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third party claim, Franchisee is not entitled to be reimbursed for any fees and costs, including legal and other professional fees and costs, incurred by Franchisee in connection with such claim.

11. ADVERTISING

- 11.1. **General.** Franchisee shall conduct all advertising, marketing and promotions for Franchisee's Tastea Tea Bar in a dignified manner and by following Franchisor's policies and provisions concerning format, content, media, geographic coverage and other criteria as are from time to time contained in the Manuals, or as otherwise directed by Franchisor. Franchisee shall not use or publish any advertising material or in any way use or display any of the Tastea Marks except by following Franchisor's policies and provisions and with its prior written approval. Franchisee shall submit samples of all advertising and promotional plans and materials to Franchisor for approval and may only commence use of the materials after Franchisee has been approved, in writing, by Franchisor. Franchisor shall have the right at any time after Franchisee commences use of any materials to prohibit further use, effective upon written notice to Franchisee.
- 11.2. **Grand Opening Advertising.** You are required to spend at least seven thousand five hundred dollars (\$7,500) to the vendors you hire for your Store Opening Advertising Contribution. Franchisee shall provide to Franchisor for approval an advertising, marketing and promotional program approximately sixty (60) days before Franchisee Tastea Tea Bar's scheduled Grand Opening ("**Grand Opening Advertising**"). The program shall be implemented approximately thirty (30) days before Franchisee Tastea Tea Bar's scheduled Grand Opening.
- 11.3. **Local Advertising.** Franchisee must spend at least one percent (1%) of the Gross Sales of Franchisee's Tastea Tea Bar each quarter annually on local advertising for Franchisee's Tastea Tea Bar. All local advertising and promotion by Franchisee must be conducted in the media, type, and format that Franchisor previously approved and in a dignified manner, and must conform to the standards and requirements described in the Manuals or otherwise in writing. At Franchisor's request, Franchisee must furnish to Franchisor, within thirty (30) days after the request, any evidence Franchisor may reasonably require

concerning the nature and amount of Franchisee's expenditures for local advertising. Franchisor may require that Franchisee submit, thirty (30) days prior to the beginning of each calendar quarter, Franchisee's advertising campaign and budget for our review and approval.

11.4. Marketing Fee.

11.4.1. Franchisee shall pay Franchisor a Marketing Fee equal to one percent (1%) of the Gross Sales of Franchisee's Taster Tea Bar during the Term of this Agreement. The Marketing Fee monies shall be used to conduct regional and/or national advertising, marketing and promotional programs to maximize general public recognition and acceptance of the Taster Marks for the benefit of the Taster System and all Franchisees. Franchisee shall participate in all regional and national programs Franchisor specifies from time to time in the manner Franchisor specifies.

11.4.2. Franchisor or its designee shall maintain and administer the Marketing Fee monies as Franchisor determines appropriate, in its sole discretion, to pay for the costs of preparing and producing video, audio, and written marketing materials; contract with or hire third-party advertising, public relations, promotional agencies or professionals; sponsor sporting, charitable or similar events; administer regional or national marketing programs including the purchase of direct mail, marketing flyers, radio and newspaper ads, television commercials and other media marketing at Franchisor's sole discretion, determine appropriate; cover expenses related to Franchisor's social media marketing efforts, including the purchase social media ads on various social media platforms; support public relations campaigns and other public relations activities; conduct test marketing for new products and customer surveys; cover the costs of website development and maintenance, operations of Franchisor's portal, internet, intranet sites, URL services, and for 800 or similar numbers; cover administrative costs and overhead Franchisor may incur from marketing and promotional activities, including salaries of its employees who are creating and implementing advertising, marketing and promotional programs; and pay for incidental expenses relating to Franchisor's advertising, marketing and promotional activities. Franchisor shall oversee all advertising, marketing and promotional programs with sole discretion over that materials, media and creative concepts whether the programs are implemented through us or outsourced to a third party.

11.4.3. Although Franchisor shall have no contractual obligation to account for Marketing Fee monies separately, the Marketing Fee monies shall be held separately from Franchisor's other funds and since the account is not a trust, Franchisor shall not have any fiduciary obligations to Franchisee regarding the Marketing Fee. Since Marketing Fee payments are not contributions to a fund and Franchisor does not maintain or administer any such fund, Franchisor has

no fund to audit nor does it disclose how the funds were used in the most recently concluded fiscal year, including the percentages spent on production, media placement, administrative expenses, and a description of any other use. Also, as Franchisor has no fund, affiliated company-owned stores are not required to contribute to a fund, however, Franchisor's affiliated company-owned stores currently contribute to advertising, marketing, and promotions expenditures.

11.4.4. Although Franchisor shall use the Marketing Fee monies to develop advertising, marketing and promotional programs that will benefit all its Franchisees, Franchisor shall not be obligated in maintaining and administering the Marketing Fee monies to (i) make expenditures for Franchisee that are equivalent or proportionate to Franchisee's Marketing Fee payments; or (ii) be required to spend any specific amount on advertising, marketing, or promotions in Franchisee Taster Tea Bar's trade area, or (iii) guarantee in any way that Franchisee shall derive a benefit directly or pro-rata from the advertising, marketing, or promotions conducted with the Marketing Fee monies.

11.4.5. Aside from the costs and expenses in this Section 11.4, the Marketing Fee shall not be used to defray any of Franchisor's general operating expenses. Any unused Marketing Fee monies at the end of any year shall be used in the next fiscal year. Franchisor shall not use Marketing Fee monies for advertising that is principally a solicitation for the sale of franchises.

11.5. **Marketing Fund.**

11.5.1. Franchisor has not yet established a fund for regional and/or national advertising, marketing, and promotional activities (the "**Marketing Fund**") but shall have the right to do so in the future on ninety (90) days written notice to Franchisee. When and if the Marketing Fund is established, Franchisee's Marketing Fee will be Franchisee's contribution to the Marketing Fund. The Marketing Fund shall be used in the same manner as the Marketing Fee monies to conduct regional and/or national advertising, marketing, and promotional programs to maximize general public recognition and acceptance of the Taster Marks for the benefit of the Taster System and all Franchisees. Franchisee shall participate in all regional and national programs Franchisor specifies from time to time in the manner Franchisor specifies.

11.5.2. Franchisor or its designee shall maintain and administer the Marketing Fund with the same intended use as the Marketing Fee as Franchisor determines appropriate in its sole discretion, to pay for the costs of preparing and producing video, audio, and written marketing materials; contract with or hire third-party advertising, public relations, promotional agencies or professionals; sponsor sporting, charitable or similar events; administer regional and national marketing programs including the purchase of direct mail, marketing flyers,

radio and newspaper ads, television commercials and other media marketing at Franchisor's sole discretion, determine appropriate; cover expenses related to Franchisor's social media marketing efforts, including the purchase social media ads on various social media platforms; support public relations campaigns and other public relations activities; conduct test marketing for new products and customer surveys; cover the costs of website development and maintenance, operations of Franchisor's portal, internet, intranet sites, URL services, and for 800 or similar numbers; cover administrative costs and overhead Franchisor may incur from marketing and promotional activities, including salaries of its employees who are creating and implementing advertising, marketing and promotional programs; and pay for incidental expenses relating to Franchisor's advertising, marketing and promotional activities. Franchisor shall oversee all advertising, marketing and promotional programs with sole discretion over that materials, media and creative concepts whether the programs are implemented through us or outsourced to a third party.

11.5.3. Franchisor shall have the right, in its sole discretion to (i) establish a new entity to operate the Marketing Fund and the successor entity shall have all of the rights and duties described in the Franchise Agreement; (ii) hold contributions to the Marketing Fund in a separate account in the same manner as the Marketing Fee or establish a trust to hold the contributions; (iii) solely maintain and administer all regional and national advertising, marketing, public relations, and promotional programs or designate a third party or advisory board to maintain and administer part or all of the programs to be paid by the Marketing Fund; and (iv) terminate, or reinstate after termination, the Marketing Fund at any time upon thirty (30) days' prior notice to Franchisee. If Franchisor elects to terminate the Marketing Fund, it shall not terminate until all contributions to it have been spent for its intended purpose or returned to Franchisees on a pro-rata basis. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contribution of all Franchisees to the Marketing Fund in that year. The Marketing Fund shall not be considered an asset of the Franchisor. The Marketing Fund may borrow from Franchisor or others to cover deficits or invest any surplus for future use. If Franchisor lends money to the Marketing Fund, Franchisor may charge the same interest rates as Franchisor pays its lenders. Franchisor shall prepare an unaudited annual statement of monies collected and costs incurred by the Marketing Fund and provide a copy of the statement to Franchisee upon Franchisee's written request.

11.5.4. Although Franchisor shall use the Marketing Fund to develop advertising, marketing and promotional programs that will benefit all its Franchisees, Franchisor shall not be obligated in maintaining and administering the Marketing Fund to (i) make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contributions to the Marketing Fund; or (ii) be required to spend any specific amount on advertising, marketing, or promotions

in Franchisee Tastea Tea Bar's trade area, or (iii) guarantee in any way that Franchisee shall derive a benefit directly or pro-rata from advertising, marketing, or promotions paid for by the Marketing Fund; or (iv) require Franchisor's affiliated company-owned Tastea Tea Bars to contribute to the Marketing Fund on the same basis as Franchisee-owned Tastea Tea Bars. If the Marketing Fund is not a trust, Franchisor shall have no fiduciary obligation to Franchisee relating to the collection, maintenance, and administration of the Marketing Fund.

11.5.5. Aside from the costs and expenses in this Section 11.5, Marketing Fund contributions shall not be used to defray any of Franchisor's general operating expenses. Any unused contributions to the Marketing Fund at the end of any year shall be used in the next fiscal year. Franchisor shall not use the Marketing Fund for advertising that is principally a solicitation for the sale of franchises.

11.6. **Cooperative Advertising Programs.** Franchisor may from time to time establish programs for co-operative advertising to coordinate advertising, marketing efforts, and programs to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional advertising media ("**Cooperative Program**" or "**Cooperative Programs**"). Franchisor reserves the right in its sole discretion to establish a Cooperative Program in the future on ninety (90) days written notice to Franchisee. If and when Franchisor creates a Cooperative Program for an advertising coverage area ("**Advertising Coverage Area**") in which Franchisee's Tastea Tea Bar is located, Franchisee and either Franchisor or its Affiliate, if Franchisor or its Affiliate owns a Tastea Tea Bar in the Advertising Coverage Area, shall become a subscriber and member of the Cooperative Program and shall participate in the Cooperative Program in the manner prescribed by Franchisor. The size and content of an advertising coverage area will be binding upon Franchisees, all other similarly situated Franchisees and Franchisor's Affiliate. Each participating Franchisee as well as Franchisor and its Affiliate if applicable, will be entitled to one vote for each Tastea Tea Bar located within the Advertising Coverage Area as may reasonably be determined by Franchisor.

11.6.1. Franchisee and all other members of the Advertising Coverage Area whose Tastea Franchise Agreements require their participation in the Cooperative Program shall contribute to the Cooperative Program the amounts that are determined by fifty percent (50%) or more of the participating Tastea Tea Bars in the Cooperative Program (not to exceed one percent (1%) of the Gross Sales of each participating Tastea Tea Bar located in the Advertising Coverage Area, subject to Franchisor's written approval. Franchisee's contribution to the Cooperative Program shall be credited towards the satisfaction of the local advertising expenditure required by Section 11.3.

11.6.2. Franchisor shall administer the Cooperative Program and shall determine the policies of the Cooperative Program and the usage of the available funds for

media time, production of media materials, radio, television, newspapers or local level materials for the applicable Tastea Tea Bar such as flyers, or posters, or for any other type of advertising or marketing use. Franchisor reserves the right to establish general standards concerning the operation of the Cooperative Program, advertising agencies retained by the Cooperative Program, and advertising conducted by the Cooperative Program. Any disputes (other than pricing) arising among or between Franchisee, other Tastea Franchisees, and/or the Cooperative Program shall be resolved by Franchisor, whose decision shall be final and binding on all parties.

- 11.7. **Promotional Campaigns.** From time to time during the Term, Franchisor shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee shall participate in the promotional campaigns upon the terms and conditions that Franchisor may establish. Franchisee acknowledges and agrees that participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional materials.
- 11.8. **Advertising Council.** Franchisor may from time to time establish an Advertising Council for Tastea Franchisees and reserve the right to do so in its sole discretion.
- 11.9. **Internet.** Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium, mobile device medium or other electronic medium (including, without limitation, any Internet home page, social media accounts, business review accounts, e-mail address, web site, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, any Tastea Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's prior written consent, and then only in the manner and in accordance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Franchisee shall not separately register any domain name or any portion of any domain name containing any Tastea Marks or participate or market on any web site or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using or displaying any Tastea Marks without Franchisor's prior written consent. Franchisee's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time. Franchisor may, at any time after Franchisee commences use of any Franchisor-approved electronic media, prohibit further use thereof, effective upon receipt of written notice by Franchisee.
- 11.10. **Web Sites.** Franchisor shall establish and maintain from time to time, one or more Internet web sites that shall be used to provide information about Tastea Tea Bars to the public. Franchisor has sole discretion and control over the establishment, design and

content of the web site. Franchisor may, in its discretion, configure the site and its content to accommodate one or more interior pages which Franchisor may dedicate, in whole or in part, to the Tastea Tea Bar at the Franchised Location, all at Franchisee's expense. Franchisor shall have the right, at its sole option, from time to time, to (i) change, revise, or eliminate the design, content and functionality of such web site or any part thereof, (ii) make operational changes to such web site or any part thereof, (iii) change or modify the URL and/or domain name of such web site, (iv) substitute, modify, or rearrange the web site or any part thereof and any content therein, at Franchisor's sole discretion, including in any manner that Franchisor considers necessary or desirable to comply with any Applicable Laws, to respond to changes in market conditions or technology, or to respond to any other circumstances, (v) limit or restrict end-user access (in whole or in part) to the web site or any portion thereof, and (vi) disable or terminate the web site or any part thereof without any liability to Franchisee.

12. CONFIDENTIAL INFORMATION

12.1. **Confidential Information.**

12.1.1. **"Confidential Information"** means any and all information, knowledge, and/or data, whether or not in writing, in electronic format, or in other tangible or intangible medium, concerning Franchisor, any or its Affiliates and/or any of their respective businesses, operations, practices, styles, products and/or services, that has been furnished or is to be furnished to Franchisee by, or Franchisee has otherwise obtained or obtains from, Franchisor, an Affiliate of Franchisor, or another person or entity. By way of illustration, but not limitation, **"Confidential Information"** includes information, knowledge and data relating to the Tastea System and elements or portions thereof, business operations, practices, styles, products, services, recipes, sources of materials and equipment, customer management, software, data, content, formulations, ingredients, compositions, patterns, compilations, programs, devices, processes, methods, methodologies, standards, business relationships, contact information for industry professionals, developmental or experimental products and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites and website content, advertisements, ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names, addresses and contact information, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, information regarding the skills and compensation of employees, contractors and other personnel of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales and license techniques, inventions, copyrightable material,

trademarkable material, intellectual property rights, Trade Secrets, databases, relationships between Franchisor and other persons or entities, knowledge or know-how, including knowledge or know-how concerning the methods of operation of one or more Tastea Tea Bars, any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, any other information that is not generally known by the public or which derives independent economic value (actual or potential) from not being generally known to the public, and any other information which, given the circumstances surrounding its disclosure, would be considered confidential. “**Confidential Information**” also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Franchisee.

- 12.1.2. Confidential Information does not include any information that: (i) was in the lawful and unrestricted possession of Franchisee prior to its disclosure by Franchisor without any duty or obligation of confidentiality; (ii) is or becomes generally available to the public by lawful acts other than those of Franchisee after receiving it; (iii) has been received lawfully and in good faith by Franchisee from a third party who did not derive it from Franchisor or Franchisee without any duty or obligation of confidentiality; or (iv) is shown by Franchisee with documentary evidence to have been independently developed by Franchisee without any use or access to any Confidential Information.
- 12.1.3. Franchisee acknowledges and agrees that certain Confidential Information may be provided to Franchisee or Franchisee may be apprised of certain Confidential Information by virtue of Franchisee’s relationship with Franchisor or in connection with Franchisee’s operation of the Tastea Tea Bar.
- 12.1.4. For clarification, notwithstanding anything to the contrary, neither Franchisor or any of its Affiliates is obligated or required to disclose to Franchisee, any Owner or any third party any Trade Secrets or other Confidential Information with respect to any Tastea Proprietary Products or other product or service of a confidential nature.
- 12.2. **Value.** Franchisee acknowledges and agrees the Confidential Information: (a) has been developed by Franchisor and its affiliates by the investment of significant time, skill, effort and money and is of substantial value to Franchisor and its affiliates; (b) is not generally known by the public or parties other than Franchisor, its Affiliates, its franchisees and Franchisee; derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee; and (c) is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation: (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is

confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to certain Confidential Information by the use of passwords and other restrictions so that electronic access to such Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor or to destroy all Confidential Information upon the expiration or termination of their Tastea Franchise Agreements.

- 12.3. **Maintain Confidentiality.** Franchisee shall not, during the Term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its trade secrets and/or any Confidential Information. Franchisee acknowledges and agrees that any use of any Confidential Information by Franchisee shall be in strict compliance with the terms and conditions of this Agreement. Franchisee may divulge such Confidential Information only to such of its employees who must have access to it in order to perform their employment responsibilities.
- 12.4. **Irreparable Injury from Disclosure of Confidential Information.** Franchisee acknowledges that failure to comply with any of the requirements of this Section 12 will result in irreparable injury to Franchisor and/or its Affiliates for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor and/or its Affiliates in obtaining, without the posting of any bond, an ex parte or other order for injunctive relief, specific performance and/or other equitable relief with respect to the requirements of this Section 12. Franchisor and its Affiliates reserve all rights to all legal relief and remedies against Franchisee, including damages, for any breach by Franchisee of any term or condition of this Section 12.
- 12.5. **Confidentiality Covenants from Individuals Associated with Franchisee.** Franchisee shall require each employee, agent, representative, personnel and advisor of Franchisee who may have access to any Confidential Information to execute covenants that they will maintain the confidentiality and abide by the use restrictions of any Confidential Information they receive in the same manner as applicable to Franchisee under this Section 12. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

13. ACCOUNTING AND RECORDS

- 13.1. **General Reporting.** Franchisee shall submit weekly statistical control forms and other financial, operational and statistical information that Franchisor may require (i) to assist Franchisor in its monitoring of the operation of the Tastea Tea Bar, (ii) to allow Franchisor to monitor Gross Sales, purchases, costs and expenses of the Tastea Tea Bar, (iii) to enable Franchisor to develop chain wide statistics, (iv) to assist Franchisor in the development of new Authorized Tastea Products or the removal of existing unsuccessful Authorized Tastea Products, (v) to enable Franchisor to refine existing Authorized Tastea Products, and/or (vi) to generally improve chain-wide understanding of the Tastea System (collectively, the “**Reporting Information**”).
- 13.2. **Specific Reporting.** Unless otherwise agreed by Franchisor in writing, Franchisee shall submit condensed reports of daily Gross Sales to Franchisor on a weekly basis in accordance with the guidelines established by Franchisor. Franchisee will electronically link the Tastea Tea Bar to Franchisor and will allow Franchisor to poll the POS System on a daily basis at a time selected by Franchisor to retrieve Reporting Information including sales, sales mix, usage and operations data. Further:
- 13.2.1. Within ten (10) days following the end of each month during the Term, or at any other interval that Franchisor may establish, Franchisee shall submit a Gross Sales report signed by Franchisee, in the form and manner prescribed by Franchisor, reporting all Gross Sales for the preceding month, together with the additional financial information that Franchisor may, from time to time, request.
- 13.2.2. Within forty-five (45) days following the end of each calendar quarter during the Term, Franchisee shall submit to Franchisor financial statements for the preceding quarter, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by Franchisor and in accordance with generally accepted accounting principles, which shall be certified by Franchisee to be accurate and complete.
- 13.2.3. Within forty-five (45) days following the end of each calendar year during the Term, Franchisee shall submit to Franchisor an unaudited annual financial statement prepared in accordance with generally accepted accounting principles, and in the form and manner prescribed by Franchisor, which shall be certified by Franchisee to be accurate and complete. Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate Governmental Authority. Franchisor reserves the right to require the further information concerning the Tastea Tea Bar that Franchisor may, from time to time, reasonably request.

- 13.3. **Audits.** Franchisee shall prepare, and keep for not less than three (3) years following the end of each of its fiscal years, adequate books and records showing daily receipts in, at and from the Tastea Tea Bars, applicable sales tax returns, if any, all pertinent original serially numbered sales slips and cash register records, and the other sales records as may be reasonably required by Franchisor, from time to time, to verify the Gross Sales reported by Franchisee to Franchisor, in a form suitable for an audit of Franchisee's records by an authorized auditor or agent of Franchisor. Such information shall be broken down by categories of goods, foods and beverages sold, when possible. Franchisor, its agents or representatives may, at any reasonable time during normal working hours, audit and review Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. If any audit or other investigation reveals an under-reporting or under-recording error of three percent (3%) or more, then in addition to any other sums due, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include, without limitation, Franchisor's travel, lodging and wage expenses and reasonable accounting and legal fees and expenses, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of eighteen percent (18%) per annum.
- 13.4. **Books and Records.** Franchisee shall maintain an accounting and record keeping system, which shall provide for basic accounting information necessary to prepare financial statements, a general ledger and reports required by this Agreement and the Manuals. Franchisee shall maintain accurate, adequate and verifiable books and supporting documentation relating to the accounting information.
- 13.5. **Use of Financial Statements In Disclosure Document.** Franchisee hereby irrevocably consents to Franchisor's use of information contained in Franchisee's financial statements, at Franchisor's election, in Franchisor's franchise disclosure document for the offer and sale of franchises.

14. INSURANCE

- 14.1. **Franchisee's Insurance Obligations.** Franchisee shall obtain and maintain throughout the Term the types and amounts of insurance required by Franchisor and shall provide Franchisor with proof of coverage and Certificates of Insurance upon demand. Workers compensation insurance must be in compliance with local laws and regulations. All insurance shall protect Franchisee and Franchisor against any demand, claim and/or liability with respect to personal and bodily injury, death, and/or property damage, and/or any loss, liability, and/or expense whatsoever arising or occurring upon or in connection with the operation of the Tastea Tea Bar. Each policy shall (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which the Tastea Tea Bar is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide, (ii) name Franchisor and its Affiliates as additional insureds, and (iii) comply with the requirements prescribed by Franchisor at the time the policies are obtained. Franchisee and Franchisee's insurers shall agree to waive their rights of

subrogation against Franchisor and/or its Affiliates, and Franchisee shall provide evidence of the waiver in accordance with this Section 14.1. Franchisee's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 19.4.

- 14.2. **Required Endorsements and Certificates.** All public liability and property damage policies shall contain a provision that Franchisor and its Affiliates, although named as an additional insured, shall nevertheless be entitled to recover under the policies on any loss occasioned to Franchisor, or its Affiliates, partners, shareholders, directors, agents, or employees by reason of the negligence of Franchisee or its partners, shareholders, directors, agents, or employees. At least ten (10) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by the Certificates. Certificates evidencing the insurance required by this Section 14 shall name Franchisor, and each of its Affiliates, partners, shareholders, directors, agents, and employees as additional insureds on the additional-insured Grantor of Franchise Form CG-2029 or an insurer's comparable form, and shall expressly provide that any interest of each shall not be affected by any breach by Franchisee of any policy provisions for which the Certificates evidence coverage.
- 14.3. **Franchisor's Right to Secure Insurance on Behalf of Franchisee.** Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as the requirements may be revised from time to time by Franchisor in the Manuals or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to immediately procure the insurance and to charge the same to Franchisee, which charges, together with Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

15. TRANSFER OF INTEREST

- 15.1. **Transfer by Franchisor.** Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal Entity without the consent or approval of Franchisee. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform the obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisor and/or its Affiliates may sell their assets, securities and business, the Tastea Marks, and/or the Tastea System, may sell securities

in a public offering and/or in private placements, may merge, reorganize, acquire other Entities, and/or be acquired by another Entity, and may undertake a refinancing, recapitalization, leveraged buy-out, and/or other economic or financial restructuring, all without the consent or approval of Franchisee.

15.2. Assignment by Franchisee.

15.2.1. Franchisee acknowledges and agrees that the rights granted to Franchisee under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is an Entity, that of the Owners. Accordingly, Franchisee acknowledges and agrees that Franchisee shall not, and Franchisee has no right to, by operation of law or otherwise, whether in Franchisee's own name or in the name and/or on behalf of any person or Entity, directly or indirectly, offer, sell, assign, convey, transfer, pledge, donate, encumber or otherwise negotiate or deal with any third party, directly or indirectly, with respect to (i) this Agreement, (ii) any right or interest in this Agreement, including any Franchised Rights, or (iii) the right to use the Tastea System or the Tastea Marks or any part thereof (each an "**Assignment**"), without Franchisor's prior written consent.

15.2.2. Unless the Parties otherwise agree in writing, Franchisee shall not make or attempt to make any Assignment except in conjunction with a concurrent Assignment to the same Franchisor-approved assignee of all Tastea Tea Bars then operated by Franchisee. As a condition to Franchisor's consent to an Assignment, among other things as set forth in this Agreement, the assignee must execute Franchisor's Then-Current form of Tastea Franchise Agreement for each Tastea Tea Bar sold to the assignee.

15.2.3. Without Franchisor's prior written consent, which may be withheld or denied by Franchisor in its discretion, (i) Franchisee shall not offer for sale or transfer at public or private auction any of the rights of Franchisee under this Agreement, and (ii) Franchisee shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Franchisee shall provide not less than ten (14) days prior written notice (which notice shall contain the name and address of the secured party and the terms of the pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest of Franchisee's rights under this Agreement.

15.2.4. For purposes of this Agreement, each of the following events is, without limitation, an Assignment subject to the conditions to transfer identified in this Agreement: (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Franchisee pursuant to a transaction subject to registration under

applicable securities laws or by private placement, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise, or any other events or transactions which, directly or indirectly, effectively changes the voting rights or control of Franchisee, (iv) the issuance of any securities by Franchisee which itself or in combination with any other transactions results in the Owners, as constituted on the Effective Date, owning less than fifty percent (50%) of the outstanding Equity or voting power of Franchisee, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected. Franchisee shall promptly provide Franchisor with written notice (stating the information that Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an **“Assignment”** as defined under this Section 15.

- 15.2.5. Franchisor’s right of first refusal set forth in Section 15.3 shall not apply to a transfer by Franchisee of all of Franchisee’s rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the Equity or voting interests of the new business Entity are owned by the same Owners (a **“Qualified Assignment”**), but the other terms and conditions of an Assignment set forth in this Section 15 shall apply to a Qualified Assignment. Any attempted or purported Assignment which fails to comply with the requirements of this Section 15 shall be null and void and shall constitute a Default under this Agreement

15.3. **Right of First Refusal.**

- 15.3.1. Except with respect to a Qualified Assignment, if Franchisee or an Owner receives a bona fide written offer (**“Third Party Offer”**) from a third party (the **“Proposed Buyer”**) to purchase or otherwise acquire all interest in Franchisee which will result in an Assignment within the meaning of this Agreement, Franchisee shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor’s consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to purchase or otherwise acquire all Tastea Tea Bars then operated by Franchisee or its Affiliates.

- 15.3.2. Franchisee shall attach to its application for consent to complete the Assignment a copy of the Third Party Offer together with (i) information relating to the Proposed Buyer’s experience and qualifications, (ii) a copy of the Proposed Buyer’s current financial statement, and (iii) any other information material to the Third Party Offer, Proposed Buyer and proposed Assignment or that Franchisor requests.

- 15.3.3. Franchisor or its nominee shall have the right, exercisable by written notice (“**Purchase Notice**”) given to Franchisee or the Proposed Buyer, within thirty (30) days following Franchisor’s receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Proposed Buyer that Franchisor will purchase or acquire the rights, assets, Equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value, and (ii) deduct from the purchase price all amounts then due and owing from Franchisee to Franchisor under this Agreement or otherwise.
- 15.3.4. If Franchisor or its nominee elects to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that Franchisor or its nominee makes such election.
- 15.3.5. If Franchisor does not elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Franchisee. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisee shall provide notice of such change to Franchisor, and Franchisor or its nominee shall have a right of first refusal with respect to the new terms subject to the conditions stated in this Section 15.3.
- 15.4. **Conditions of Assignment to Third Party.** As a condition to obtaining Franchisor’s consent to an Assignment, including any Qualified Assignment or an Assignment to a Proposed Buyer, the following conditions must be satisfied:
- 15.4.1. The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor’s Then-Current qualifications for new Tastea Franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.
- 15.4.2. Franchisee must be in Good Standing on the date consent is requested and until the date of closing or effectiveness of the Assignment.
- 15.4.3. The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer’s financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either Franchisee or the Proposed Buyer if Franchisor

approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties.

- 15.4.4. The Proposed Buyer must sign Franchisor's Then-Current form of Tastea Franchise Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects, except that the term of replacement Tastea Franchise Agreement shall be the remaining term of this Agreement. In exchange for signing the Then-Current Tastea Franchise Agreement, the Proposed Buyer shall receive the rights of Franchisee provided for in this Agreement. If the Proposed Buyer is an Entity, each owner and each owner's spouse of the Proposed Buyer shall jointly and severally guarantee the Proposed Buyer's performance of its obligations in the Then-Current Tastea Franchise Agreement under a Guarantee in the form of Exhibit C. If Franchisor is not offering new Tastea franchises, is in the process of revising, amending or renewing Franchisor's form of Tastea Franchise Agreement or franchise disclosure document or is not lawfully able to offer Franchisor's Then-Current form of Tastea Franchise Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the Term on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Tastea Franchise Agreement.
- 15.4.5. Franchisee will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the transfer, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.
- 15.4.6. Franchisee and the Proposed Buyer or other assignee shall execute a General Release of all known and unknown liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, that they have, may have or believe to have against Franchisor and its Affiliates and their officers, directors, agents, shareholders and employees as of the date of the general release, in a form acceptable to Franchisor.
- 15.4.7. Franchisee shall pay Franchisor the sum of ten thousand dollars (\$10,000) as a transfer fee to apply against Franchisor's administrative and other costs to process the Assignment.
- 15.4.8. Franchisee must simultaneously transfer its rights under all contracts for which continuation is necessary for operation of the Tastea Tea Bar to the Proposed Buyer or other assignee and satisfy any separate conditions to obtain any third

party consents required for the transfer of Franchisee's rights to the Proposed Buyer or other assignee. The Proposed Buyer or other assignee must execute all other documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained. If the Proposed Buyer or other assignee is a corporation, limited liability company or other business Entity, each person who at the time of the Assignment, or later, owns or acquires, either legally or beneficially, twenty percent (20%) or more of the Equity or voting interests of the Proposed Buyer must execute a Guarantee in a form acceptable to Franchisor.

- 15.4.9. Franchisee's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Franchisee and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied.
- 15.4.10. Except when the assignee is an existing Tastea Franchisee or franchisee of Franchisor, the Proposed Buyer, or a senior operations employee who will have general management and supervisory responsibilities for the Tastea Tea Bar who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment.
- 15.4.11. The Proposed Buyer must conform the Tastea Tea Bar with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Tastea Tea Bars.
- 15.5. **Death or Incapacity.** In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Owner or the remaining Owners (each a "**Successor**") shall have one hundred eighty (180) days from the date of such death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Owner, or (ii) complete an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party, subject to the provisions of this Section 15. If a Successor has not purchased the interest of the deceased or incapacitated Owner or completed an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.
- 15.6. **Transfer by Franchisee in Bankruptcy.** If, for any reason, this Agreement is not terminated pursuant to Section 17.1 and this Agreement is assumed, or Assignment of the same to any person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice

of the proposed Assignment or assumption, setting forth (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept such Assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as set forth in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by the assignee for the Assignment of this Agreement.

16. COVENANTS

- 16.1. **No Prior Experience, Information or Knowledge.** Franchisee specifically acknowledges and agrees that prior to becoming a franchisee of Franchisor, Franchisee had no experience, information or knowledge whatsoever about a specialty tea, coffee or smoothie shop or a Tastea Tea Bar and that Franchisee's knowledge of the Confidential Information was obtained solely from Franchisor, following Franchisee's training by Franchisor and Franchisee's subsequent operation of the Tastea Tea Bar under this Agreement. In addition, Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Tastea System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.
- 16.2. **Non-Competition During Term of Agreement.** Franchisee and each Owner covenants that during the Term, except as otherwise approved in writing by Franchisor, Franchisee and each Owner shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal Entity:
- 16.2.1. divert or attempt to divert any present or prospective Tastea customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with any Tastea Marks or the Tastea System or any part thereof; or
 - 16.2.2. employ or seek to employ any person who is or has been within the previous thirty (30) days employed by Franchisor or an Affiliate of Franchisor as a salaried

managerial employee, or otherwise directly or indirectly induce such person to leave his or her employment; or

- 16.2.3. own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business;

provided, however, the restrictions stated in this Section 16.2 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

- 16.3. **Non-Competition After Expiration or Termination of Agreement.** Except as Franchisor otherwise approves in writing, commencing upon the date of (i) an Assignment permitted under Section 15 of this Agreement, (ii) the Expiration Date of this Agreement, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 16.3, and continuing for an uninterrupted period of two (2) years thereafter, Franchisee and each Owner shall not own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located within twenty (20) miles of any Tastea Tea Bars; provided, however, the restrictions stated in this Section 16.3 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

16.4. **Violation of Covenants.**

- 16.4.1. If Franchisee or any Restricted Person shall commit any violation of Section 16.3 during the two (2) year period following (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment during the Term, (iii) the cession of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 16.3, in addition to all other remedies available to Franchisor, Franchisee and the Restricted Person, jointly and severally, shall be obligated to pay Franchisor, throughout the twenty-four (24) month period, five percent (5%) of the revenue derived by Franchisee or the Restricted Person from the sale of all products and services and all other income of every kind and nature ("**Post Termination Gross Sales**") of the Competitive Business. Franchisee shall account for and pay the five percent (5%) of the Post Termination Gross Sales to Franchisor on the fifteenth day of each month on the Post Termination Gross Sales of the Competitive Business during the previous month. Franchisor shall have the right to audit the books and records of the competing business in accordance with Section 13.3 of

this Agreement to confirm Franchisee's compliance with this Section 16.4, upon prior notice to Franchisee

- 16.4.2. Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages and expenses Franchisor will incur if Franchisee or any Restricted Person shall commit any violation of Section 16.3 due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months left to complete the Then-Current Term, the uncertainty regarding the Gross Sales of the Tastea Tea Bar during the remainder of the Then-Current Term, the amount of Royalty Fees Franchisee would have paid Franchisor based upon the Gross Sales of the Tastea Tea Bar and the like as well as the amount of the fees that Franchisor will collect from Franchisee upon the occurrence of the circumstances described in Section 16.3. Franchisor and Franchisee further acknowledge and agree that the five percent (5%) fee of Post Termination Gross Sales is a reasonable, good faith estimate of those damages.
- 16.5. **Exceptions to Covenants.** Sections 16.2 and 16.3 shall not apply to ownership by Franchisee or an Owner of a less than five percent (5%) beneficial interest in the outstanding Equity securities of any Competitive Business registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.
- 16.6. **Reducing Scope of Covenants.** Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 16.2 or 16.3, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof from Franchisor; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.
- 16.7. **Covenants from Individuals.** Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 16 (including covenants applicable upon the termination of a person's relationship with Franchisee) from all Owners. Every covenant required by this Section 16.7 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.
- 16.8. **Interference With Employment Relations.** Without Franchisor's prior written consent, during the Term and for a period of twenty-four (24) months following the termination, expiration or nonrenewal of this Agreement, or if there shall occur an Assignment, neither Franchisee, its Owner(s) or their respective Affiliates, officers, directors or managers, or any of them, shall in any capacity whatsoever, either directly or indirectly, hire, solicit or encourage to leave the employment of Franchisor, or any of its Affiliates, or any licensee or franchisee of Franchisor, any employee of Franchisor or its Affiliates (or any person who the persons knew or should have known was an employee of any licensee or

franchisee of Franchisor) or hire any employee who has left the employment of Franchisor, or any of its Affiliates (or any licensee or franchisee) within one (1) year of the termination of the employee's employment with Franchisor, or any of its Affiliates or its Licensees or franchisees.

- 16.9. **Effect of Applicable Law.** In the event any portion of the covenants in this Section 16 violates Applicable Laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants in this Section 16, and Franchisee shall comply with any reduced covenant upon receipt of written notice. The provisions of this Section 16 shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.
- 16.10. **Business Practices.** Franchisee shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**"). In connection with its compliance, Franchisee certifies, represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's employees or any "blocking" of Franchisee's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Franchisee has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 17.2.
- 16.11. **Survival.** The provisions of this Section 16 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor or any of its Affiliates for any infringement of, violation of, or interference with, this Agreement, or any Tastea Marks, the Tastea System or any part thereof, any Confidential Information, any Trade Secrets, or any other proprietary aspects of Franchisor's business.

17. DEFAULT AND TERMINATION

- 17.1. **Termination In the Event of Franchisee's Bankruptcy or Insolvency.** Franchisee shall be deemed to be in Default under this Agreement, and all rights granted to Franchisee of this Agreement shall automatically and immediately terminate without notice to Franchisee, (i) if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, (ii) if a petition in bankruptcy is filed under any foreign, state or federal bankruptcy or insolvency laws by Franchisee or if a petition is filed against and not opposed by Franchisee, (iii) if Franchisee is adjudicated as bankrupt or insolvent, (iv) if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for the Tastea Tea Bar is filed and consented to by Franchisee, (v) if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, (vi) if proceedings for a composition with creditors under any Applicable Law is instituted by or against Franchisee, (vii) if a final judgment in excess of one hundred thousand dollars (\$100,000) against Franchisee or the Tastea Tea Bar remains unsatisfied or is of record for thirty (30) days or longer (unless a supersedeas bond is filed), (viii) if Franchisee admits Franchisee is unable to generally pay Franchisee's debts as they become due, (ix) if execution is levied against Franchisee or the Tastea Tea Bar or property located thereon, (x) if suit to foreclose any lien or mortgage against the Tastea Tea Bar, the Franchised Location or the equipment of the Tastea Tea Bar is instituted against Franchisee and not dismissed within thirty (30) days, or (xi) if the Tastea Tea Bar or the Franchised Location shall be sold after levy thereupon by any sheriff, marshal, or constable.
- 17.2. **Option to Terminate Without Opportunity to Cure.** Franchisee shall be deemed to be in Default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the Default, effective immediately upon notice by Franchisor upon the occurrence of any of the following events:
- 17.2.1. If Franchisee shall Abandon the Tastea Tea Bar.
 - 17.2.2. If Franchisee shall purport to make any Assignment without the prior written consent of Franchisor.
 - 17.2.3. If Franchisee shall Default in any obligation as to which Franchisee has previously received three (3) or more written notices of Default from Franchisor setting forth the Default complained of within the preceding twelve (12) months.
 - 17.2.4. If Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the operations of the Tastea Tea Bar.

- 17.2.5. If Franchisee fails, for a period of ten (10) days after having received notification of noncompliance from Franchisor or any Governmental Authority to comply with any federal, state or local law or regulation applicable to the operation of the Taster Tea Bar.
- 17.2.6. If Franchisee's operation of the Taster Tea Bar constitutes an imminent danger to the public health or if Franchisee sells unauthorized products or performs unauthorized services after Notice of Default and thereafter sells the products, whether or not Franchisee has cured the Default after one or more notices.
- 17.2.7. If an audit or investigation conducted by Franchisor discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated its Gross Sales or withheld the reporting of the same as provided in this Agreement.
- 17.2.8. If Franchisee or any of its Owners are convicted of or pleads guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect Franchisor's reputation, the Taster System or any part thereof, any Taster Marks or any goodwill associated the same; however, if the crime or offense is committed by an Owner other than the Operating Partner, Franchisor may only terminate this Agreement under this Section 17.2.8 if the applicable Owner fails to sell its interest in Franchisee to Franchisee's other Owners within thirty (30) days after the conviction or plea.
- 17.2.9. If Franchisee misuses or makes any unauthorized use of any Taster Marks or otherwise impairs the goodwill associated therewith or Franchisor's rights therein.
- 17.2.10. If Franchisee takes any action which reflects materially and unfavorably upon the operation and reputation of the Taster Tea Bar or the Taster chain generally.
- 17.2.11. If Franchisee makes any unauthorized use, disclosure, or duplication of any Trade Secrets or any other Confidential Information.
- 17.2.12. If Franchisee fails to purchase and maintain in inventory the types and quantities of Taster Branded Products, Taster Proprietary Products or Non-Proprietary Products necessary to meet reasonably anticipated consumer demand, as determined by Franchisor.
- 17.2.13. If Franchisee purports to purchase Taster Branded Products or Taster Proprietary Products or Non-Proprietary Products from other than an Approved Supplier and fails to cease use of the non-complying product within three (3) days after having received notification from Franchisor to do so.

- 17.2.14. If Franchisee Defaults in any obligation under this Agreement that by its nature is not capable of being cured by Franchisee within the cure period set forth in Section 17.3.
- 17.3. **Termination With Notice and Opportunity To Cure.** Except for any Default by Franchisee under Sections 17.1 or 17.2, and as expressly provided elsewhere in this Agreement, Franchisee shall have five (5) days, in the case of any monetary Default and ten (10) days in the case of any other type of Default, following the notice of default by Franchisor (a “**Notice of Default**”) demanding the cure of the Default and to provide evidence of the cure to Franchisor. If any Default is not cured within that time period, or any longer time period that Applicable Law may require or that Franchisor may specify in the Notice of Default, this Agreement and all rights granted in this Agreement shall automatically terminate without further notice or opportunity to cure.
- 17.4. **Reimbursement of Franchisor Costs.** Upon a Default by Franchisee, all of Franchisor’s costs and expenses in connection with the Default, including reasonable attorneys’ fees and costs, shall be paid to Franchisor within five (5) days after cure or upon demand by Franchisor if the Default is not cured.
- 17.5. **Cross-Default.** Any Default by Franchisee under the terms and conditions of this Agreement or any other agreement between Franchisor or its Affiliates, and Franchisee, or its Owners or Affiliates, shall be deemed to be a Default of this Agreement each and every other agreement. Furthermore, in the event of termination of this Agreement or any other agreement between the Parties, Franchisor may, at its option, terminate any or all of the agreements between the Parties.
- 17.6. **Notice Required By Law.** Notwithstanding anything to the contrary contained in this Section 17, if any valid Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the Parties shall limit Franchisor’s rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by that Applicable Law. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such Applicable Laws in any action, hearing or dispute relating to this Agreement or the termination of this Agreement.
- 17.7. **Interim Management.** After Franchisor has given Franchisee written notice that Franchisee is in Default, Franchisor may (but is not obligated to) assume interim management of the Tastea Tea Bar at the Franchised Location during the pendency of any cure period or in lieu of immediately terminating this Agreement. If Franchisor elects to assume interim management of the Tastea Tea Bar, (i) Franchisor’s election will not relieve Franchisee of Franchisee’s obligations under this Agreement, (ii) Franchisor will not be liable for any debts, losses, costs or expenses incurred in the operation of the Tastea Tea Bar during any interim management period, all of which shall be Franchisee’s

responsibility and liability, (iii) Franchisor will have the right to charge a reasonable fee for the management services, and (iv) Franchisee agrees to, and hereby does, indemnify and hold Franchisor harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to reasonable attorneys' fees and costs) incurred in connection with the interim management of the Tastea Tea Bar, other than those arising solely from the gross negligence or willful misconduct of Franchisor.

- 17.8. **Delay by Force Majeure.** Franchisee shall provide Franchisor, within ten (10) days after the occurrence of an event that Franchisee believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Franchisee's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. Franchisee shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Franchisee's progress and diligence in responding to and overcoming the event of Force Majeure.
- 17.9. **Termination by Franchisee.** Franchisee may terminate this Agreement due to a material default by Franchisor of its obligations hereunder, which default is not cured by Franchisor within sixty (60) days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged default with specificity; provided, that if the default is such that it cannot be reasonably cured within such sixty (60) day period, Franchisor shall not be deemed in default for so long as it commences to cure such default within such sixty (60) days and diligently continues to prosecute such cure to completion. This Section 17.9 contains material terms of this Agreement and a mediator, arbitrator or other Governmental Authority shall not, and shall not have the power or authority to, waive, modify or change the terms of this Section 17.9 in any proceedings or otherwise. If Franchisee terminates this Agreement pursuant to this Section 17.9, Franchisee shall comply with all of the terms and conditions of Section 18.

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18. OBLIGATIONS FOLLOWING TERMINATION OR EXPIRATION

18.1. **General.** Upon the expiration or termination of this Agreement or Franchisee's rights granted under this Agreement, Franchisee shall immediately cease to use all Trade Secrets, Confidential Information, the Tastea System, the Tastea Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall at its own cost immediately return the Manuals and all written materials incorporating any Trade Secrets or any other Confidential Information and all copies, reproductions, summaries and extracts of any of the foregoing to Franchisor. Franchisee shall at its own cost make cosmetic changes to the Franchised Location so that it no longer contains or resembles a Tastea Tea Bar or any of Franchisor's proprietary designs, and shall remove all Tastea Marks, Tastea identifying materials and Tastea cosmetic features and finishes, soffits, interior wall coverings and colors, exterior finishes and colors and signage from the Franchised Location that Franchisor may direct.

18.2. **Prior Payments.**

18.2.1. Franchisor may retain all amounts paid to Franchisor pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts remaining due to Franchisor and/or its Affiliates. If this Agreement terminates due to a Default by Franchisee, the amounts to be paid by Franchisee shall include all damages, and costs, and expenses, including reasonable attorneys' fees and costs, incurred by Franchisor in connection with the Default, which obligation shall remain, until paid in full. Franchisee hereby grants to Franchisor a lien in favor of Franchisor against all assets of Franchisee to secure payment of such amounts. Franchisee hereby appoints Franchisor as its attorney in fact, with full power and authority to execute and record on Franchisee's behalf all documents necessary or appropriate to obtain and perfect this lien.

18.2.2. In addition to the foregoing, Franchisee shall pay Franchisor, within thirty (30) days following the date of termination, an amount equal to the product of two (2) multiplied by the total Royalty Fees paid (or if unpaid, payable) by Franchisee during the twelve (12) months immediately preceding the effective date of termination to account for the actual damages that Franchisor shall suffer as a result of the termination of this Agreement during the time period that Franchisor estimates will expire while Franchisor searches for a replacement franchisee for the Tastea Tea Bar or for a replacement Tastea tea bar location in the trade area of the Tastea Tea Bar. Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages Franchisor will incur upon the termination of this Agreement due to the complications inherent in determining the amount of revenue lost by Franchisor and the uncertainty regarding the number of months that will expire while Franchisor searches for a replacement franchisee for the Tastea Tea Bar or for a replacement Tastea tea bar location in the trade area of

the Tastea Tea Bar. Franchisor and Franchisee further acknowledge and agree that this calculation of Franchisor's potential damages is a reasonable, good-faith estimate of those damages. If Franchisor is unable to make this calculation because of Franchisee's failure to report the Gross Sales of the Tastea Tea Bar, Franchisor may estimate the Gross Sales of the Tastea Tea Bar for the applicable period based upon the historical financial information available to Franchisor at that time.

- 18.3. **Termination of Obligations and Rights.** Following the termination or expiration of this Agreement, any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate. Likewise, any and all rights of Franchisee under this Agreement shall immediately cease and terminate and Franchisee shall immediately cease and thereafter refrain from representing itself as a then or former franchisee or other Affiliate of Franchisor.
- 18.4. **Telephone Numbers.** Franchisor shall have the option, exercisable by written notice provided to Franchisee within thirty (30) days after the termination of this Agreement, to take an assignment of all telephone numbers (and associated listings) for the Tastea Tea Bar. Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of its right to use the telephone numbers and the directory listings associated with the Tastea Tea Bar, and shall authorize their transfer to Franchisor. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this option.
- 18.5. **Internet.** If Franchisor has previously authorized Franchisee to use any Tastea Marks on the Internet, any web site or on any e-mail address, Franchisee shall, at Franchisor's option, cancel or assign to Franchisor all of Franchisee's right, title and interest in any Internet web sites, web pages and content therein, e-mail addresses, domain name listings, URLs and registrations which contain any Tastea Marks, and Franchisee shall notify all applicable domain name registrars and all listing agencies of the termination of Franchisee's right to use those domain names, web pages, content and other Internet service associated with Franchisor, the Tastea Tea Bar or the Tastea System, or any part thereof, and shall authorize their cancellation or transfer to Franchisor, as directed by Franchisor. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this option.
- 18.6. **Purchase Tastea Tea Bar Assets.** Upon the expiration of this Agreement or the termination of this Agreement for any Default of Franchisee, Franchisor shall have the option, to be exercised by written notice to Franchisee within thirty (30) days after the Expiration Date or termination date, to purchase the any and all assets of Franchisee related to the Tastea Tea Bar, regardless of whether the Tastea Tea Bar is under construction or is Open and operating, and all of assets of Franchisee related to the Tastea Tea Bar that Franchisor elects to purchase (collectively, the "**Tastea Tea Bar Assets**"). The purchase price for the Tastea Tea Bar Assets (the "**Purchase Price**") shall be the "**Fair**

Market Value” of the Tastea Tea Bar Assets as determined under this Section 18.6. **“Fair Market Value”** means the price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the date the option is first exercisable (the **“Exercise Date”**). Franchisor and Franchisee shall use their best efforts to mutually agree upon the Fair Market Value. If they are unable to so agree within thirty (30) days after the Exercise Date, Franchisor shall appoint, within forty (40) days of the Exercise Date, one (1) appraiser, and Franchisee shall appoint within forty (40) days of the Exercise Date, one (1) appraiser. The two (2) appraisers shall within a period of five (5) additional days, agree upon and appoint an additional appraiser. The three (3) appraisers shall, within sixty (60) days after the appointment of the third appraiser, determine the Purchase Price in writing and submit their report to Franchisor and Franchisee. The Purchase Price shall be determined by disregarding the appraiser’s valuation that diverges the greatest from each of the other two (2) appraisers’ valuations, and the arithmetic mean of the remaining two (2) appraisers’ valuations shall be the Purchase Price. Franchisor and Franchisee shall each pay for the services of the appraiser they select, plus one half (1/2) of the fee charged by the third appraiser, and one half (1/2) of all other costs relating to the determination of the Purchase Price. The Purchase Price as so determined shall be payable as Franchisor and Franchisee mutually agree. If they are unable to so agree within ten (10) days after final determination of the Purchase Price, fifty percent (50%) of the Purchase Price shall be payable in cash and the remaining fifty percent (50%) of the Purchase Price shall be paid in eighty-four (84) equal monthly payments and shall bear interest at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), OR ten percent (10%) per annum, but in no event in excess of the maximum rate permitted by Applicable Law. Payment of the portion of the Purchase Price not paid in cash shall be secured by a security interest in the Tastea Tea Bar Assets. Any purchase of the Tastea Tea Bar Assets shall include the assumption by Franchisor and the assignment by Franchisee, of the Lease for the Tastea Tea Bar.

- 18.7. **Survival of Obligations.** Termination or expiration of this Agreement shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages. In no event shall a termination or expiration of this Agreement affect Franchisee’s obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination or post-expiration covenants or agreements, including the obligation of Franchisor and Franchisee to attempt to resolve all disputes by mediation, shall survive the termination or expiration of this Agreement.
- 18.8. **No Ownership of Tastea Marks or Tastea System.** Franchisee acknowledges and agrees that the rights to the Tastea Marks and the Tastea System, and the right to use the Tastea Marks and the Tastea System shall be and remain the property of Franchisor. Franchisee acknowledges and agrees that any use of any Tastea Marks or any Tastea System or any part thereof after the termination or expiration of this Agreement by Franchisee shall

constitute unauthorized use and a misappropriation of Franchisor's property and shall entitle Franchisor to relief and remedies against Franchisee, including damages due to, but not limited to, trademark infringement, counterfeiting and misappropriation.

- 18.9. **Government Filings.** If Franchisee has registered or applied for registration of any of the Tastea Marks or the name Tastea as part of an assumed, fictitious or corporate name, Franchisee shall promptly terminate or amend those registrations or applications to delete such Tastea Marks and any confusingly similar marks or names. Nothing in this Section 18.9 is intended to authorize or allow Franchisee to make any such application or seek to obtain any such registration.

19. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- 19.1. **No Fiduciary Relationship.** This Agreement does not create a fiduciary relationship between the Parties. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, servant, or Affiliate of the other for any purpose whatsoever.
- 19.2. **Public Notice of Independent Status.** Franchisee shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent franchisee of Franchisor, and shall place the notice of independent ownership on all forms, including business cards, stationary, purchase order forms, invoices, leases, and tax returns. Franchisor shall have the right to specify such or similar language of any notice. Franchisee must conspicuously display a sign that says "THIS TASTEAS IS AN INDEPENDENTLY OPERATED FRANCHISED BUSINESS OWNED BY [insert Franchisee's full legal name] AT [insert the address of the Franchised Location]."
- 19.3. **Independent Contractor.** Franchisee acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume any liability or obligation for, or be deemed liable under this Agreement as a result of, any action, nor shall Franchisor be liable by reason of any act or omission of, Franchisee in its conduct of the Tastea Tea Bar or for any claim or judgment arising therefrom against Franchisee or Franchisor.
- 19.4. **Indemnification.** Franchisee and its Owners and Affiliates (collectively, the "Indemnitors") shall jointly and severally indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Franchisor and its Constituents (collectively, the "Indemnitees"), from any and all "Losses and Expenses" (as defined below) incurred in connection with any litigation, proceeding, procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether the same is reduced to judgment) and/or any settlement thereof (collectively, an "Indemnifiable Claim") which arises

directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Tastea Tea Bar and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Franchisee; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 19.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Franchisee). For the purpose of this Section 19.4, the term "**Losses and Expenses**" shall mean and include compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a person or Entity's reputation or goodwill, and all other costs associated with any of the foregoing.

- 19.4.1. The Indemnatee shall give Franchisee notice of any Indemnifiable Claim of which such Indemnatee is aware for which indemnification is sought under this Section 19.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against such Indemnatee (a "**Third Party Claim**") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against such Indemnatee (a "**Direct Claim**"), and shall also describe (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known.
- 19.4.2. With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume such control shall be made within thirty (30) days after Franchisee's receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement and defenses of the Third Party Claims and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless Franchisee consents to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the applicable Indemnitee(s) are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitee(s) by the same counsel would be inappropriate because of any actual or potential differing interests between them (such as the availability of different defenses), in which case the Indemnitees shall have the right to retain separate attorneys at the Indemnitors' expense.
- 19.4.3. If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time or with diligence or in good faith, the Indemnitees shall be entitled to assume control of the defense at the

Indemnitors' expense and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

- 19.4.4. If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed, at the Indemnitors' expense. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they become available); provided, however, that the Indemnitees are not required to share attorney-client privileged communications between an Indemnitee and its attorney.
- 19.4.5. With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Section 20.

20. DISPUTE RESOLUTION

- 20.1. **Mediation.** The Parties pledge to attempt first to resolve any Dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association or its successor ("AAA") unless Franchisor and Franchisee agree on alternative rules and a mediator within fifteen (15) days after either

Party first gives notice of mediation. Mediation shall be conducted in Orange County, California, and shall be conducted and completed within forty-five (45) days following the date either Party first gives notice of mediation unless otherwise agreed to in writing by Franchisor and Franchisee. The fees and expenses of the mediator shall be shared equally by Franchisor and Franchisee. The mediator shall be disqualified as a witness, expert or counsel for any Party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and Franchisor and Franchisee shall not be discoverable or admissible in any legal or other proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any Party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing Party attorneys' fees in any subsequent legal action. If any dispute remains unresolved ninety (90) days after a demand for mediation by either Party, Franchisor and Franchisee shall each be free to pursue their respective legal remedies under Section 20.2.

- 20.2. **Judicial Relief.** The Parties agree that (i) all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Orange, or the United States District Court of the Central District of California, Southern Division. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these courts and agree not to commence any action of any kind except in these courts. This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Tastea Tea Bar is located outside of California and such provision would be enforceable under the laws of the state in which the Tastea Tea Bar is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 20.2 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.
- 20.3. **Waivers.** The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of any facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Franchisee, for themselves, and for and on behalf of the Franchisor's Affiliates and the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any

right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Franchisee shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 20.5.

- 20.4. **Specific Performance.** Franchisor and Franchisee acknowledge that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, Franchisor and Franchisee agree that the provisions of this Agreement shall be specifically enforceable. Franchisor and Franchisee further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically enforced or restrained, as applicable, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Franchisee might otherwise have.
- 20.5. **Exclusive Remedy.** In the event a Party makes any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement, the Party making such claim hereby waives any claim for damages and neither Party may claim any damages by way of setoff, counterclaim or defense in connection therewith. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.
- 20.6. **Attorneys' Fees.** In any legal action or proceeding brought to enforce any provision of this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a court of competent jurisdiction.

21. NOTICES

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by courier delivery for next business day delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) one (1) business day after delivery by the Party giving the notice, statement or demand if by courier for next business day delivery with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by certified mail, return receipt requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

Tastea Franchising, LLC
11612 Knott Street #G5
Garden Grove, California 92841
Attention: Manager/ Managing Member

With a copy to (which shall not constitute notice):

Dan X. Nguyen, Esq.
13950 Milton Avenue Suite 300
Westminster, CA 92693
Email: dan@Caneilaw.com

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party.

22. ACKNOWLEDGMENTS

- 22.1. **Waiver and Delay.** No waiver by Franchisor of any Default, or series of Defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or under any agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or any Tastea Franchise Agreement or other agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.
- 22.2. **Survival of Covenants.** The covenants contained in this Agreement which, by their nature or terms, require performance by a Party after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.
- 22.3. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and its permitted successors and permitted assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.
- 22.4. **Joint and Several Liability.** If Franchisee consists of more than one Owner, the obligations and liabilities of each such person or Entity to Franchisor are joint and several.
- 22.5. **Entire Agreement.** This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Agreement and superseded by this Agreement. No director, manager, officer, employee, representative, agent or advisor

of Franchisor or any of its Affiliates has any authority to make any agreement, representation or promise not included in this Agreement, and Franchisee agrees that it has executed this Agreement without reliance upon any agreement, representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of the Parties. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations made in the franchise disclosure document.

- 22.6. **Titles and Recitals.** Section and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The Recitals set forth in Recitals A through D of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.
- 22.7. **Gender and Construction.** The terms of all Exhibits referenced herein and attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Section in this Agreement may require. As used in this Agreement, the words “include,” “includes” or “including” are used in a non-exclusive sense and shall be interpreted to mean “including without limitation” or “including but not limited to”. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Franchisee that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. On any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor’s standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable. To the extent there is any conflict between this Agreement and the Franchise Agreement, the Franchise Agreement shall control and govern.
- 22.8. **Severability; Modification.** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future Applicable

Law contrary to which the Parties have no legal right to contract, the latter shall prevail, but in that event, the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of Applicable Law. In the event that any part, Section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

- 22.9. **Counterparts and Electronic Copies.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that the electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.
- 22.10. **Intent to Comply.** Franchisee, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply with the terms of this Agreement and be bound by the terms of this Agreement. Franchisor expressly disclaims making, and Franchisee acknowledges that it or they have not received or relied on any representation, warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.
- 22.11. **Independent Investigation.** Franchisee acknowledges that Franchisee has conducted an independent investigation of the business franchised hereunder, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Franchisee and if an Entity, its Owners, as independent businesspersons. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any representation, warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.
- 22.12. **Copy of Agreement.** Franchisee acknowledges that it received a copy of this Agreement, the Exhibits referenced in this Agreement and all other agreements relating hereto, if any, with all of the blank lines filled in, at least five (5) business days prior to the Effective Date.
- 22.13. **Opportunity to Consult.** Franchisee acknowledges that it has read and understood this Agreement, the Exhibits, and all other agreements relating hereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors

of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

- 22.14. **Franchise Disclosure Document.** Franchisee acknowledges that it has received a copy of the complete Tastea Franchise Disclosure Document which contains a copy of this Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Franchisee acknowledges and agrees that Franchisor has made no promises, representations, warranties or assurances to Franchisee which are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document, concerning the profitability or likelihood of success of the Tastea Tea Bar, that Franchisee has been informed by Franchisor that there can be no guarantee of success in the franchised business and that Franchisee's business ability and aptitude is primary in determining Franchisee's success.
- 22.15. **Atypical Terms.** Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other Tastea Franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement. Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation, express or implied, that all Tastea Franchise Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Tastea Franchise Agreements previously executed or executed after the date of this Agreement with other Tastea Franchisees in a non-uniform manner.
- 22.16. **General Terms.** Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor. Franchisee has read this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Tastea Tea Bars in order to protect and preserve the Tastea System and the goodwill of the Tastea Marks. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the Tastea System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Franchisee's business ability and efforts. The Parties acknowledge and agree that each Party has been represented by independent legal counsel of their choice in connection with this Agreement or has had the opportunity to have legal counsel review this Agreement and advise such Party regarding the same, but has voluntarily chosen not to do so. Franchisee has not received or relied upon any representation, promise or guarantee, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement. Franchisee acknowledges and agrees that no representations have been made by Franchisor or its Affiliates or their respective officers, directors, managers, shareholders, employees,

agents, representatives, or advisors that are contrary to any of the terms or conditions contained in this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Franchise Agreement on the Effective Date.

FRANCHISOR:

TASTEY FRANCHISING, LLC,

A California limited liability company

By:

Name:

Title:

FRANCHISEE:

a/an

By:

Name:

Title:

TASTEA FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT A
ENTITY INFORMATION DISCLOSURE

Franchisee represents and warrants that the following information is accurate and complete in all material respects:

- 1) Franchisee is a (check as applicable):
[] corporation
[] limited liability company
[] general partnership
[] limited partnership
[] Other (specify): _____

State of incorporation/organization: _____

- 2) Franchisee shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles/Certificate of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (collectively, the “**Entity Documents**”).
- 3) Franchisee promptly shall provide all additional information that Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Franchisee.
- 4) The name, address, and percentage ownership of each Owner is (use additional pages if necessary):

Name of Owner(s)	Address	Percentage Ownership (or # of Shares)

- 5) The names, titles and addresses of each Owner who will be devoting their full time to the Taster Tea Bar are (use additional pages if necessary):

Name of Owner(s)	Title	Address

- 6) The address where Franchisee's financial records and Entity Documents are maintained is _____.

- 7) The Operating Partner is _____.

IN WITNESS WHEREOF, the Parties have executed this Exhibit A on the Effective Date.

FRANCHISOR:

TASTEY FRANCHISING, LLC,

A California limited liability company

By:

Name:

Title:

FRANCHISEE:

a/an _____

By: _____

Name:

Title:

TASTEА FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT B
FRANCHISED LOCATION

The following site with the address:

Street Address:

City:

State and Zip Code:

has been selected and approved as the “**Franchised Location**” for Franchisee’s “**Tastea Tea Bar**” in accordance with the Franchise Agreement entered into between Franchisor and Franchisee on the Effective Date.

IN WITNESS WHEREOF, the Parties have executed this Exhibit B on this ____ day of _____, 20____.

FRANCHISOR:

TASTEА FRANCHISING, LLC,

A California limited liability company

FRANCHISEE:

a/an _____

By:

Name:

Title:

By: _____

Name:

Title:

TASTEА FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT

The undersigned (“**Guarantors**”) have requested **TASTEА FRANCHISING, LLC**, a California limited liability company (“**Franchisor**”), enter into that certain Franchise Agreement dated _____ (the “**Franchise Agreement**”) with _____ (“**Franchisee**”). All capitalized terms not otherwise defined in this Guarantee shall have the same meaning as in the Franchise Agreement. Guarantors acknowledge and agree that Guarantors have received, read and fully understand the Franchise Agreement and Franchisee’s obligations thereunder.

In consideration for, and as an inducement to, Franchisor’s execution of the Franchise Agreement, Guarantors hereby jointly and severally agree as follows:

1. “**Obligations**” means and includes any and all obligations of Franchisee arising under or pursuant to the Franchise Agreement and all other obligations, whether now existing or hereafter arising, of Franchisee to Franchisor of whatever nature.
2. Guarantors irrevocably and unconditionally, fully guarantees to Franchisor the prompt, full and complete payment of any and all Obligations of Franchisee to Franchisor and the performance of any and all obligations of Franchisee including, without limitation, obligations under the Franchise Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.
3. If Franchisee fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary obligation of Guarantors. Guarantors agree that if any obligation, covenant or agreement contained in the Franchise Agreement is not observed, performed or discharged as required by the Franchise Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, to observe, perform or discharge the obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors.
4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Franchisee or any other person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Franchisee. Without limiting the generality of the foregoing, Guarantors agree that, regardless of

whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Franchise Agreement or of any of the Obligations, in whole or in part, (ii) any acceptance, enforcement or release by Franchisor of any security for the Franchise Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Franchise Agreement or the Obligations or any security therefore, (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any Assignment or transfer of the Franchise Agreement (or any of them) by Franchisor or Franchisee, (iv) the invalidity or unenforceability of any provision of the Franchise Agreement or any of the Obligations, or (v) any failure, omission or delay of Franchisor in enforcing the Franchise Agreement, the Obligations or this Guarantee.

5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Franchisee or any other person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in Franchisor's power, (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby, (iii) any defense that may arise by reason of Franchisee's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Franchisee, any other or others, (iv) any defense arising out of any alteration of the Franchise Agreement or the Obligations, (v) notice of Franchisee's Default in the payment or performance of any of the Obligations, (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or obligations or of any action or non-action on the part of Franchisee, Franchisor, any endorser, creditor of Franchisee or Guarantors under this or any other instrument, or any other person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed, (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Franchisee by operation of Applicable Law or otherwise, (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Franchisee, regardless of whether Franchisor has reason to believe that those facts materially increase the risk beyond that which Guarantors intends to assume or has reason to believe that the facts are unknown to Guarantors or has a reasonable opportunity to communicate the facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Franchisee's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed, and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Franchisee. All existing or future indebtedness of Franchisee to Guarantors and any right to withdraw capital invested in Franchisee by Guarantors are hereby subordinated to all Obligations.
7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained herein, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through 2856(a)(2), inclusive, which includes, without limitation, any rights and defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Sections 2899 and 3433.
8. The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Franchisee's obligations. This is a continuing Guarantee. It shall be irrevocable during the initial term and each renewal term and through any extensions, amendments, modifications, substitutions or replacements of the Franchise Agreement and until all Obligations has been fully paid and the Obligations have been fully performed. In the event of any Default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Franchisee or whether Franchisee is joined in any action or actions. Franchisor may maintain successive actions for other Defaults. Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The obligations of Guarantors shall be primary and are independent of the obligations of Franchisee and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Franchisee or any other person or Entity, or applying or enforcing any security of the Franchise Agreement.
9. Nether any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter hereof and no representation, understanding, promise or condition concerning the subject matter hereof shall bind Franchisor unless expressed herein.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Section 21 of the Franchise Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantors' signature below.
11. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Guarantee shall constitute and be deemed an original copy of this Guarantee for all purposes, provided that the electronic copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee.
12. This Guarantee shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of California, and if the Tastea Tea Bar is located outside of California and such provision would be enforceable under the laws of the state in which the Tastea Tea Bar is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Orange. Guarantors hereby submit to the jurisdiction of the Superior Court of the County of Orange, California and the United States District Court for the Central District of California, Southern Division.

Executed by or on behalf of Guarantors on the date set forth below.

By: _____

Date: _____

Print Name: _____

By: _____

Date: _____

Print Name: _____

TASTEA FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT D
DEBIT AUTHORIZATION FORM (DIRECT DEBITS)
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

The undersigned franchisee/depositor ("**Depositor**") hereby (1) authorizes TASTEA FRANCHISING, LLC and its affiliates ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below and (2) authorizes the depository designated below ("**Depository**") to debit such account pursuant to Franchisor's instructions.

_____ Depository	_____ Branch
_____ City and State	_____ Zip Code
_____ Bank Transit/ABA Number	_____ Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Franchisor and Depositor with thirty (30) days prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or forty-five (45) days after posting, whichever comes first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error, and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws. Depositor shall be responsible for all charges assessed by Depository to process all debit entries and/or credit corrections entries to the undersigned's checking and/or savings account initiated by Franchisor. Franchisor will credit Depositor for fees if error is deemed to be caused by Franchisor.

DEPOSITOR (Print Name)

DEPOSITORY (Print Name)

By: _____

By: _____

Its: _____

Its: _____

TASTEA FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT E
ADDENDUM FOR OPERATING TASTEA TEA BAR PURCHASE

THIS ADDENDUM FOR TEA BAR PURCHASE (this “**Addendum**”) is made and entered into as of _____, by and between **TASTEA FRANCHISING, LLC**, a California limited liability company (“**Franchisor**”), on the one hand, and _____ (collectively “**Franchisee**”), on the other hand, with reference to the following facts.

- A. Franchisee has purchased the assets of a Tastea tea bar (the “**Tastea Tea Bar**”) from an affiliate of Franchisor.
- B. Franchisor and Franchisee have entered into a Franchise Agreement (the “**Franchise Agreement**”), which they wish to modify by means of this Addendum, with respect to the operation of the Tastea Tea Bar.
- C. Due to fact that Franchisee is purchasing an existing and operating Tastea Tea Bar, certain provisions of the Franchise Agreement are not applicable to Franchisee, and Franchisee and Franchisor wish to modify the Franchise Agreement accordingly.
- D. All capitalized terms not otherwise defined in this Addendum shall have the same meaning as in the Franchise Agreement.

NOW, THEREFORE, IT IS AGREED:

- 1. The following Sections of the Franchise Agreement shall be deleted in their entirety and have no force or effect: Sections 5.1, 5.3 and 5.4.
- 2. This Addendum shall be considered an integral part of the Franchise Agreement, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date first shown above.

FRANCHISOR:

TASTEY FRANCHISING, LLC,

A California limited liability company

By:

Name:

Title:

FRANCHISEE:

a/an

By:

Name:

Title:

TASTEA FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B
ASSET PURCHASE AGREEMENT

**2024
Asset
Purchase
Agreement**



TASTEA FRANCHISING, LLC
ASSET PURCHASE AGREEMENT

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EXHIBITS

EXHIBIT A:	FRANCHISE AGREEMENT
EXHIBIT B:	ASSETS
EXHIBIT C:	TEA BAR LOCATION, LEASE AND LANDLORD, RENT AND ESTIMATED EXPENSES
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EXHIBIT E:	ASSUMED LIABILITIES
EXHIBIT F:	ASSIGNMENT OF LEASE
EXHIBIT G:	BILL OF SALE

TASTEA FRANCHISING, LLC ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this “**Agreement**”) is made this ____ day of _____, 20____ (the “**Effective Date**”), by and between TASTEA FRANCHISING, LLC, a California limited liability company (“**Seller**” or “**Franchisor**”), on the one hand, and _____, a _____ (“**Buyer**”), on the other hand, who are also individually referred to in this Agreement as a “**Party**”, and collectively referred to in this Agreement as “**Parties**”.

RECITALS

- A. Seller owns and operates the Tastea tea bar (the “**Tastea Tea Bar**”) located at _____.
- B. Seller leases the premises and improvements at the site of the Tastea Tea Bar (the “**Tea Bar Location**”) under a Lease (the “**Lease**”) with the landlord (the “**Landlord**”) described on Exhibit C attached to this Agreement and incorporated into this Agreement by reference.
- C. Seller desires to sell to Buyer and Buyer desires to purchase from Seller certain of the assets owned or used by Seller in the operation of the Tastea Tea Bar as more fully described in Exhibit B (the “**Assets**”). Buyer further desires to operate the Tastea Tea Bar under a Franchise Agreement with Franchisor in the form of Exhibit A (the “**Franchise Agreement**”).

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. INCORPORATION OF RECITALS

The Recitals A through C set forth above in this Agreement are true and correct and are incorporated as part of this Agreement.

2. PURCHASE AND SALE

On the Closing Date, Seller shall sell, convey, transfer, assign and deliver to Buyer and Buyer shall purchase from Seller, all of the Assets of the Tastea Tea Bar listed on Exhibit B PLUS all of the useable retail inventory located at the Tastea Tea Bar (the “**Inventory**”).

3. PURCHASE PRICE FOR ASSETS

- 3.1. **Purchase Price.** The aggregate purchase price for the Assets (the “**Purchase Price**”) shall be the sum of \$_____ PLUS the sum of five thousand dollars (\$5,000) for the Inventory. Within two (2) days after the Closing Date, Seller shall inform Buyer of the purchase price for the Inventory, valued at its customary cost (the “**Inventory Consideration**”). If the actual Inventory Consideration is greater than five thousand dollars (\$5,000) in the aggregate, Buyer shall pay Seller within five (5) business days thereafter an additional amount equal to the difference between the actual Inventory Consideration and five thousand dollars (\$5,000). If the actual Inventory Consideration is less than five thousand dollars (\$5,000) in the aggregate, Seller shall issue a credit to Buyer against the purchase price for Buyer’s subsequent purchases of inventory in an amount equal to the difference between five thousand dollars (\$5,000) and the actual Inventory Consideration.
- 3.2. **Payment of Purchase Price.** On the Effective Date, Buyer shall pay Seller the sum of \$_____ as a down payment against the Purchase Price and shall pay the remaining balance of the Purchase Price due to Seller on the Closing Date.
- 3.3. **Allocation of Purchase Price.** Seller and Buyer shall allocate the Purchase Price among the Assets as set forth on Exhibit D attached to this Agreement by reference, using the allocation method required by Section 1060 of the Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations thereunder.
- 3.4. **Payments Required in Addition to Purchase Price.** Buyer shall pay the following obligations in addition to the Purchase Price:
- 3.4.1. The initial franchise fee of forty thousand dollars (\$40,000) due to Franchisor.
- 3.4.2. The first month’s rent and a security deposit equal to one (1) to three (3) month’s rent and estimated monthly center expenses due under the Lease as described on Exhibit C attached to this Agreement and incorporated into this Agreement by reference.
- 3.4.3. All amounts attributable to “Prorations” as more fully described in Section 9.6 of this Agreement.

4. LIABILITIES OF THE TASTEA TEA BAR

- 4.1. **Seller's Liabilities.** Seller hereby assigns, transfers and conveys to Buyer all of Seller's right, title and interest in and to the liabilities and obligations, if any, listed on Exhibit E attached to this Agreement (collectively, the "**Assumed Liabilities**") in connection with Buyer's acquisition of the Tastea Tea Bar. Except as specifically provided in Section 4.2 of this Agreement, Buyer shall not assume and shall not acquire, take over or be responsible for any liabilities or obligations of Seller, known or unknown, relating to or arising from the operation of the Tastea Tea Bar by Seller prior to the Closing Date ("**Seller's Liabilities**").
- 4.2. **Assumed Liabilities.** Buyer hereby assumes and promises to pay and perform the Assumed Liabilities in connection with Buyer's acquisition of the Tastea Tea Bar.

5. FRANCHISE AGREEMENT AND ASSIGNMENT OF LEASE

- 5.1. **Franchise Agreement.** On the Closing Date, Buyer and Franchisor shall execute a Franchise Agreement for the Tastea Tea Bar in the form of Exhibit A.
- 5.2. **Assignment of Lease.** On the Closing Date, Buyer and Seller shall execute an Assignment of Lease for the Tea Bar Location in the form of Exhibit E. Seller, in its discretion, shall exert Seller's commercially reasonable best efforts to obtain the consent of the Landlord to the Assignment of Lease, if such consent is required. Buyer shall provide to the Landlord such financial statements and other information concerning Buyer as the Landlord may reasonably require to grant the Landlord's consent to the Assignment of Lease. Buyer shall pay all costs and fees, if any, that the Landlord may charge in connection with the Landlord's determination to grant the Landlord's consent to the Assignment of Lease.

6. THE ESCROW AND THE CLOSING DATE

- 6.1. **Escrow Holder and Escrow.** Seller shall deposit a fully executed copy of this Section 6.1 Agreement with _____; Telephone: _____; Fax: _____; Email: _____ (the "**Escrow Holder**"), to the attention of _____ immediately following the Parties' execution of this Agreement. Delivery of a copy of this Agreement to the Escrow Holder shall constitute the Parties' authorization to the Escrow Holder to proceed with Bulk Sale Escrow Number _____ (the "**Escrow**") with respect to this transaction.
- 6.2. **Closing and Closing Date.** Unless extended in writing by Seller and Buyer, the Escrow shall close (the "**Closing**") on _____ (the "**Closing Date**"). The Closing shall take place at the offices of the Escrow Holder at 10:00 A. M. on the Closing Date. If the Closing

does not occur on the Closing Date, Seller may terminate this Agreement without any liability to Buyer.

7. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer:

- 7.1. **Due Incorporation and Authorization.** Seller (i) is duly organized, validly existing and in good standing under the laws of the State of California; and (ii) has the power and authority to enter into this Agreement and the documents referenced in this Agreement and to consummate the transactions contemplated by this Agreement and otherwise to perform Seller's obligations under this Agreement. This Agreement has been duly authorized and executed by Seller and constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms.
- 7.2. **Violation.** The execution and delivery of this Agreement by Seller and the consummation of the transactions contemplated by this Agreement do not and will not (i) violate any provision of the Articles of Organization of Seller; (ii) violate any material court or administrative order, process, judgment or decree to which Seller is a party or by which it (or any of its respective properties or assets) is bound; or (iii) result in the creation or imposition of any material lien, charge, pledge, security interest or other encumbrance upon the Assets pursuant to any provision of, any mortgage, lien, lease, agreement, license or instrument to which Seller is a party or by which Seller is bound.
- 7.3. **Consents.** No consent or approval by, or any notification of or filing with, any person (governmental or private) is required in connection with the execution, delivery and performance by Seller of this Agreement or the consummation of the transactions contemplated by this Agreement.
- 7.4. **Encumbrances.** Seller has good and marketable title to the Assets, free and clear of any and all liens, claims, judgments, taxes, encumbrances, security interests, debts or other adverse claims or rights of any kind.
- 7.5. **Permits and Licenses.** Seller has all permits, and governmental licenses and registrations (the "**Licenses**") necessary to carry on the business of the Tastea Tea Bar (as presently conducted) as required by law or the rules and regulations of any federal, state, county or local governmental agency having jurisdiction over it. The Licenses are in good standing and are in full force and effect.
- 7.6. **Litigation.** There is no pending, or to the knowledge of Seller, threatened suit, action, arbitration or legal, administrative or other proceeding, against or affecting Seller, the Tastea Tea Bar, the Assets, the Lease or the Licenses.

- 7.7. **No Violation.** Seller has not received notice of any violation of any applicable federal, state or local statute, law or regulation relating to or directly or materially affecting the Assets or the Tastea Tea Bar and, to the best knowledge of Seller, there are no such violations by Seller.
- 7.8. **Lease.** Seller has delivered a full and complete copy of the Lease to Buyer prior to the date of this Agreement. There are no written amendments to the Lease or other agreements between Seller and the Landlord reflecting the understandings between Seller and the Landlord under the Lease which have not heretofore been delivered to Buyer by Seller. There are no oral amendments or other agreements between Seller and the Landlord which have not been memorialized in a written instrument and expressly agreed to by Seller and the Landlord. Seller has not received notice of any breach or default of any material term or provision of any of the Lease and, to the best knowledge of Seller, Seller is not in breach or in default of any material term or provision of the Lease as of the date of this Agreement. Provided that the consent of the Landlord, if required, has been obtained, Seller has the right to assign the Tea Bar Location to Buyer with the written consent of the Landlord and the consummation of the transactions contemplated by this Agreement will not result in or constitute a breach of any material term or provision of the Lease or a default or an event which, with notice or lapse of time or both, would be a default, breach or violation of any material term or provision of the Lease. The Lease is in full force and effect as written and, on the Closing Date, Seller will be in material compliance therewith.
- 7.9. **Ownership of Tea Bar.** Seller has been the only owner of the Tastea Tea Bar during the _____ period the Tastea Tea Bar has been in existence.

8. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller:

- 8.1. **Authorization.** This Agreement has been duly authorized and executed by Buyer and constitutes the legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms.
- 8.2. **Violation.** The execution and delivery of this Agreement by Buyer and the consummation of the transactions contemplated by this Agreement do not and will not (i) violate any material court or administrative order, process, judgment or decree to which Buyer is a party or by which it (or any of its respective properties or assets) is bound; or (ii) result in the creation or imposition of any material lien, charge, pledge, security interest or other encumbrance upon the Assets pursuant to any provision of, any mortgage, lien, lease, agreement, license or instrument to which Buyer is a party or by which Buyer is bound.

- 8.3. **Consents.** No consent or approval by, or any notification of or filing with, any person (governmental or private) is required in connection with the execution, delivery and performance by Buyer of this Agreement or the consummation of the transactions contemplated by this Agreement.
- 8.4. **Ownership of the Tastea Tea Bar.** Buyer has been advised by Seller that Seller has been the only owner of the Tastea Tea Bar during the _____ period the Tastea Tea Bar has been in existence.

9. OTHER AGREEMENTS

- 9.1. **Condition of Assets.** All Assets sold pursuant to this Agreement are sold "As Is".

SELLER MAKES NO WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, WITH RESPECT TO THE ASSETS, INCLUDING, BUT NOT LIMITED TO, THOSE WITH RESPECT TO THE CONDITION OF THE ASSETS OR THEIR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR THE LIKE.

There shall be no abatement of the Purchase Price and Seller shall have no liability to Buyer for any claim, loss or damage as a result of any non-operating deficiency or defect in the Assets; the use or performance of the Assets; or any interruption or loss of service or of use of the Assets.

- 9.2. **Confidentiality.** Buyer and Seller shall hold in confidence: (i) all documents and information obtained from each other, their employees, agents and independent contractors; (ii) the nature and content of this Agreement and all discussions between Buyer and Seller regarding the transactions contemplated by this Agreement (all of the above shall collectively be referred to herein as "Confidential Information"), and shall not disclose or convey any of such Confidential Information to any other person; provided, however, that Buyer and Seller may disclose Confidential Information (iii) to such of their potential lenders, employees, attorneys, accountants and financial advisors as is reasonable to facilitate consummation of the transactions contemplated by this Agreement; (iv) to the extent any such disclosure is required by law; and (v) to the Landlord and other third parties as necessary to facilitate obtaining such parties' consent to the transfer of Assets under this Agreement.

- 9.3. **Sales Tax and Utilities.** Buyer shall pay all sales and/or use taxes arising from the sale of the Assets by Seller to Buyer. All utility and telephone service to the Tastea Tea Bar shall be discontinued in Seller's name as soon as practicable after the Closing Date. Buyer shall transfer such services to Buyer's name so that there is no interruption of such services as a result of the transactions contemplated by this Agreement. Seller shall not be responsible for payment of any related charges effective, in each case, on or after the close of business on the Closing Date. In the event that Seller is required to pay any utility

expenses incurred after the Closing Date, Buyer shall reimburse Seller within five (5) business days of Seller's request for such reimbursement. Similarly, if Buyer pays any costs relating to the period prior to Closing Date, Seller shall reimburse Buyer within five (5) business days of Buyer's written request for such reimbursement. In all cases, a Party's request for reimbursement shall be accompanied by evidence (reasonably satisfactory to the other) that such Party has incurred the expense for which it is requesting reimbursement.

- 9.4. **Pre-Closing Credits.** Buyer shall reimburse Seller within five (5) business days of receipt of any retroactive credits or other amounts which all or partially relate to any period prior to the Closing Date (for example, a real estate tax credit arising after the Closing Date that relates to the period nine (9) months before and three (3) months after the Closing Date will be reimbursed by Buyer to Seller to the extent of seventy- five percent (75%) of such credit received by Buyer).
- 9.5. **Post-Closing Charges.** Seller shall reimburse Buyer within five (5) business days after receiving written notice from Buyer of any charges which all or partially relate to any period prior to the Closing Date and which are not Assumed Liabilities (for example, a real estate tax charge received from after the Closing Date that relates to the period nine (9) months before and three (3) months after the Closing Date will be reimbursed by Seller to the extent of seventy-five percent (75%) of the bill).
- 9.6. **Prorations.** All rents, sewer charges, water charges, public utility charges, real and personal property taxes levied or assessed against the Assets and the Tastea Tea Bar and other items that are customarily prorated between a seller and a buyer of a business shall be prorated between Seller and Buyer as of the Closing Date and shall be paid by Seller or Buyer, as the case may be, on the Closing Date.
- 9.7. **Insurance Coverage.** Buyer shall be solely responsible for obtaining and maintaining public liability insurance from a responsible insurance company licensed to do business in the state in which the Tea Bar Location is located during the entire term of the Franchise Agreement and the Lease in amounts not less than those required by the Franchise Agreement and the Lease. On the Closing Date and at least ten (10) days prior to the time any insurance is first required to be carried by Buyer, and thereafter, at least thirty (30) days prior to the expiration of any policy, Buyer shall deliver to Seller, Franchisor and the Landlord, Certificates of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor and the Landlord in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such Certificates. Certificates evidencing the required insurance shall name Franchisor and the Landlord, and each of their affiliates, partners, shareholders, directors, agents, members and employees as additional insureds and as additional loss payees, and shall expressly

provide that any interest of each shall not be affected by any breach by Buyer of any policy provisions for which such Certificates evidence coverage.

10. CONDITIONS PRECEDENT TO BUYER'S PERFORMANCE

The obligation of Buyer to purchase the Assets is subject to the receipt by Buyer of duly executed originals of this Agreement, the Franchise Agreement, the Assignment of Lease and a Bill of Sale for the Assets in the form of Exhibit G attached to this Agreement.

11. CONDITIONS PRECEDENT TO SELLER'S PERFORMANCE

The obligations of Seller to sell the Assets on the Closing Date is subject to the satisfaction by Buyer of all of the conditions set forth in this Section 11.

11.1. **Receipt on the Closing Date.** On or before the Closing Date:

- 11.1.1. Seller shall have received two (2) duly executed originals of the Assignment of Lease in substantially the form of Exhibit F attached to this Agreement as required by Section 5 of this Agreement.
- 11.1.2. Seller shall have received two (2) duly executed originals of the Franchise Agreement, in substantially the form of Exhibit A attached to this Agreement, and all related collateral documents.
- 11.1.3. Seller shall have received two (2) duly executed originals of a General Release in a form prescribed by Seller.
- 11.1.4. Seller shall have received the remainder of the Purchase Price from the Escrow Holder.
- 11.1.5. Seller and Franchisor shall have received Certificates of Insurance evidencing the proper types and minimum amounts of required coverage as provided in Section 9.7 of this Agreement, the Franchise Agreement and the Lease.
- 11.1.6. Seller shall have received such other documents as Seller may reasonably require to consummate the transaction contemplated by this Agreement.

12. INDEMNIFICATION

12.1. **Indemnification by Seller.** Seller shall indemnify, defend and hold Buyer free and harmless from and against any and all “**Losses**” (as defined in Section 12.3 below), which Buyer shall incur or suffer which arise or result from the operation or conduct of the

business of the Tastea Tea Bar by Seller at any time before the Closing Date, from Seller's Liabilities and from any breach of Seller's representations, warranties or covenants contained in this Agreement.

- 12.2. **Indemnification by Buyer.** Buyer shall indemnify, defend and hold Seller free and harmless from and against any and all Losses which Seller shall incur or suffer which arise or result from the operation or conduct of the Tastea Tea Bar by Buyer at any time after the Closing Date and from any breach of Buyer's representations, warranties or covenants contained in this Agreement.
- 12.3. **Losses.** For purposes of this Agreement, "**Losses**" shall mean any and all obligations, liabilities, costs (including reasonable attorneys' fees), expenses, damages and losses actually incurred by a Party entitled to indemnification under Section 12.1 and Section 12.2 of this Agreement, net of any insurance proceeds and material tax adjustments, benefits, savings or reductions to which such Party is entitled by virtue of such obligations, liabilities, costs, expenses, damages and losses; provided however, that "**Losses**" exclude all consequential damages of any kind (including, but not limited to, loss of revenue or income, cost of capital or loss of business reputation or opportunity).
- 12.4. **Obligations of Indemnified Party.** A Party entitled to indemnification under the provisions of this Section 12 (the "**Indemnitee**") shall promptly notify the indemnifying Party (the "**Indemnitor**") of the existence of any claim, demand, or other matter to which the Indemnitor's indemnification obligations would apply and shall give the Indemnitor a reasonable opportunity to defend or pay the same at the Indemnitor's own expense and with counsel of Indemnitor's own selection. The Indemnitee shall at all times have the right to fully participate in the defense of any claim at the Indemnitee's own expense. If the Indemnitor shall, within a reasonable time after this notice, fail to pay or defend, Indemnitee shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle (exercising reasonable business judgment), the claim or other matter on behalf, for the account, and at the risk, of the Indemnitor. If the claim is one that cannot by its nature be defended solely by the Indemnitor, then the Indemnitee shall make available all information and assistance that the Indemnitor may reasonably request for this purpose.
- 12.5. **Mitigation.** Each Indemnitee shall be obligated in connection with any claim for indemnification under this Section 12 to use commercially reasonable efforts to mitigate Losses upon and after becoming aware of any event which could reasonably be expected to give rise to such Losses.

13. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

All representations, warranties, covenants and agreements of the Parties contained in this Agreement, or in any instrument or other writing provided for in this Agreement, shall survive the Closing Date.

14. GOVERNING LAW AND VENUE

This Agreement shall be governed by and construed in accordance with the laws of the State of California. Venue for purposes of any actions brought in connection with or arising out of this Agreement shall be conclusively presumed to be in the State of California, County of Orange.

15. GENERAL

15.1. Notices. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the Parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one (1) business day after electronic transmission, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

Notices to Seller:

Tastea Franchising, LLC
11612 Knott Street #G5
Garden Grove, California 92841
Attention: Manager/ Managing Member

With a copy to (which shall not constitute notice):

Dan X. Nguyen, Esq.
13950 Milton Avenue Suite 300
Westminster, CA 92693

Email: dan@Caneilaw.com

Notices to Buyer:

Attention: _____

Any Party may change his or its address by giving ten (10) days prior written notice of such change to all other Parties.

- 15.2. **Waiver and Delay.** No waiver by Seller of any default or series of defaults in performance by Buyer, and no failure, refusal or neglect of Seller to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of Buyer's obligations under this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any subsequent default thereof or a waiver by Seller of its right at any time thereafter to require exact and strict compliance with the provisions thereof.
- 15.3. **Successors and Assigns; Benefit.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Seller and Buyer and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on assignment contained herein. This Agreement is for the benefit of the Parties only, and is not intended to and shall not confer any rights or benefits upon any person who is not a Party hereto.
- 15.4. **Entire Agreement.** This Agreement and all Exhibits to this Agreement constitute the entire agreement between the Parties and supersede any and all prior negotiations, understandings, representations and agreements. This Agreement cannot be modified or changed except by written instrument signed by all of the Parties hereto. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the representations Franchisor made to Buyer in the Franchise Disclosure Document or in any related document that Franchisor heretofore furnished to Buyer.
- 15.5. **Titles For Convenience.** Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.
- 15.6. **Exhibits; Gender and Construction.** The terms of all Exhibits hereto are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full herein. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any article or Section hereof may require. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all Parties hereto.
- 15.7. **Severability.** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. If any Section of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

15.8. **Counterparts and Electronic Copies.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

15.9. **Attorneys' Fees.** If either Party to this Agreement shall bring any action or proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing Party shall pay to the prevailing Party a reasonable sum for attorney fees and costs incurred in bringing or defending such action or proceeding.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

SELLER / FRANCHISOR:

TASTEY FRANCHISING, LLC,

A California limited liability company

BUYER:

a/an _____

By:

By: _____

Name:

Name:

Title:

Title:

TASTEA FRANCHISING, LLC
ASSET PURCHASE AGREEMENT

EXHIBIT A
FRANCHISE AGREEMENT

[To be included as an attachment upon execution of the Asset Purchase Agreement]

TASTEA FRANCHISING, LLC
ASSET PURCHASE AGREEMENT

EXHIBIT B
ASSETS

[To be included as an attachment upon execution of the Asset Purchase Agreement]

**TASTEA FRANCHISING, LLC
ASSET PURCHASE AGREEMENT**

**EXHIBIT C
TEA BAR LOCATION, LEASE AND LANDLORD, RENT AND ESTIMATED
EXPENSES**

[To be included as an attachment upon execution of the Asset Purchase Agreement]

TASTEY FRANCHISING, LLC
ASSET PURCHASE AGREEMENT

EXHIBIT D
ALLOCATION OF PURCHASE PRICE

[To be included as an attachment upon execution of the Asset Purchase Agreement]

TASTEA FRANCHISING, LLC
ASSET PURCHASE AGREEMENT

EXHIBIT E
ASSUMED LIABILITIES

[To be included as an attachment upon execution of Asset Purchase Agreement]

TASTEA FRANCHISING, LLC
ASSET PURCHASE AGREEMENT

EXHIBIT F
ASSIGNMENT OF LEASE

This Assignment and Assumption of Lease and Landlord's Consent (this "**Assignment**") is made this ____ day of _____, 20____ (the "**Effective Date**"), by and between TASTEA FRANCHISING, LLC, a California limited liability company ("**Assignor**"), and _____ ("**Assignee**"), and _____ ("**Landlord**").

A. Landlord and Assignor are parties to that certain Lease dated _____ ("**Lease**") whereby Landlord leases to Assignor and Assignor leases from Landlord that certain retail space consisting of approximately _____ square feet located at _____ (the "**Premises**").

B. Assignor desires to assign its rights as tenant under the Lease to Assignee and Assignee desires to assume the tenant's obligations under the Lease, all subject to the terms of this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. ASSIGNMENT, ASSUMPTION AND INDEMNITY

- 1.1. Assignor hereby assigns, transfers and conveys to Assignee all of Assignor's rights, title and interest under the Lease. Assignee accepts such assignment, hereby assumes all obligations of the tenant arising under Lease after the Effective Date.
- 1.2. Assignor agrees to indemnify, defend and hold harmless Assignee from and against all claims, suits, actions, causes, damages, fees (including, but not limited to attorneys' fees and court costs) and liabilities related to, with respect to, or in connection with (a) any breach of the Lease by Assignor prior to the Effective Date and (b) the use and occupancy of the Premises by Assignor.

2. LANDLORD'S CONSENT

Landlord consents to the assignment and the assumption of the Lease as provided in this Assignment. Assignor and any guarantors of the Lease shall be released from their obligations and liabilities under the Lease following the Effective Date.

3. MISCELLANEOUS

- 3.1. **Headings.** All article and paragraph titles or captions are for convenience only and shall not be deemed a part of this Assignment.
- 3.2. **Entire Agreement.** This Assignment is the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements between the parties hereto with respect thereto.
- 3.3. **Counterparts.** This Assignment may be executed in duplicate counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same instrument.
- 3.4. **Severability.** If any term, covenant, condition or provision of this Assignment is held by a court of competent jurisdiction to be invalid, void or unenforceable, the balance of this Assignment shall remain in full force and effect and shall not be affected, impaired or invalidated by reason of the invalidity, voidability or unenforceability of such other provision.
- 3.5. **Governing Law.** This Assignment shall be construed and enforced in accordance with the laws of the State of California.
- 3.6. **Attorneys' Fees.** In the event that any Party hereto commences legal proceedings to enforce or interpret any provision of this Assignment, the prevailing Party shall be entitled to recover from the non-prevailing Party its attorneys' fees and costs incurred in connection therewith.
- 3.7. **Amendments in Writing.** No amendment or modification of this Assignment shall be valid unless the amendment or modification is in writing and signed by Assignor and Assignee.
- 3.8. **Successors and Assigns.** This Assignment shall inure to the benefit of, and be binding upon, the successors and assigns of the parties hereto.

IN WITNESS WHEREOF, Assignor and Assignee have entered into this Assignment effective as of the Effective Date.

ASSIGNOR:

TASTEY FRANCHISING, LLC,

A California limited liability company

By: _____

Name:

Title:

ASSIGNEE:

a/an _____

By: _____

Name:

Title:

LANDLORD:

a/an _____

By: _____

Name:

Title:

TASTEY FRANCHISING, LLC
ASSET PURCHASE AGREEMENT

EXHIBIT G
BILL OF SALE

[To be included as an attachment upon execution of the Asset Purchase Agreement]

TASTEA FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT C
OPTION TO OBTAIN LEASE ASSIGNMENT

TASTEA FRANCHISING, LLC OPTION TO OBTAIN LEASE ASSIGNMENT

THIS OPTION TO OBTAIN LEASE ASSIGNMENT (this “**Agreement**”) is made this ____ day of _____, 20____ (the “**Effective Date**”), by and between TASTEA FRANCHISING, LLC, a California limited liability company (“**Franchisor**”), _____, a _____ (“**Franchisee**”), and _____, a _____ (“**Landlord**”). Franchisor, Franchisee and Landlord are also individually referred to as a “**Party**”, and collectively referred to as “**Parties**” in this Agreement.

RECITALS

- A. On _____, Landlord, as lessor, and Franchisee, as tenant, entered into a Lease (the “**Lease**”) for the premises located at _____ (the “**Franchised Location**”) pursuant to which Franchisee leased the Franchised Location from Landlord for the purpose of operating a franchised Tastea tea bar (the “**Tastea Tea Bar**”) at the Franchised Location.
- B. On _____, Franchisor, as franchisor, and Franchisee, as franchisee, entered into a franchise agreement (the “**Franchise Agreement**”) pursuant to which Franchisee agreed to operate the Tastea Tea Bar at the Franchised Location as a franchisee of Franchisor in accordance with the terms and conditions of the Franchise Agreement.
- C. Franchisee, Franchisor and Landlord desire to enter into this Agreement to define the rights of Franchisor in and to the Franchised Location and to protect the interests of Franchisor with respect to the continued operation of a Tastea Tea Bar at the Franchised Location during the entire term of the Lease and any renewals and extensions of the Lease on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. INCORPORATION OF RECITALS

The Recitals A through C set forth above in this Agreement are true and correct and are incorporated as part of this Agreement.

2. OPTION

Franchisee does hereby grant to Franchisor an option, exercisable at any time within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement (the "**Option**"), to succeed to Franchisee's rights under the Lease and to obtain an assignment of the rights and obligations of Franchisee under the Lease to Franchisor (the "**Assignment**").

3. ONLY EFFECTIVE UPON EXERCISE OF OPTION

This Agreement shall be effective upon the Effective Date; however, the Assignment shall only become effective if, and when, Franchisor expressly exercises the Option in writing after the occurrence of one or more of the following events:

- 3.1. **Franchise Agreement.** The occurrence of (i) any acts which would result in the immediate termination of the Franchise Agreement; or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Franchise Agreement, which default is not cured within the applicable cure period set forth in the Franchise Agreement.
- 3.2. **Lease.** The occurrence of (i) any acts which would result in the termination or merger of the Lease; or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Lease which default is not cured within the applicable cure period set forth in the Lease.
- 3.3. **Sale of Tastea Tea Bar.** If Franchisee, without the prior written consent of Franchisor, either (i) sells, transfers, assigns, sublets or enters into any agreement to sell, transfer, assign or sublet any of its right, title or interest in and to the Tastea Tea Bar, including any transfer, assignment or sublet of the Franchise Agreement, the Lease or any of the operating assets of the Tastea Tea Bar; or (ii) amends the Lease in any manner which would impair the value of the security granted by this Agreement or which would materially affect the rights of Franchisor under this Agreement.
- 3.4. **Failure to Exercise Option to Renew or Extend.** If Franchisee shall fail to exercise any option to renew or extend the term of the Lease.

- 3.5. **Insolvency.** If Franchisee (i) is adjudicated insolvent or makes an assignment for the benefit of creditors; or (ii) Franchisee applies for or consents to the appointment of a custodian, receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) if such a custodian, receiver, trustee or similar officer is appointed without the application or consent of Franchisee, and such appointment continues undischarged for a period of sixty (60) days.
- 3.6. **Bankruptcy.** If Franchisee (i) is adjudicated bankrupt or institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (ii) any such proceeding is instituted (by petition, application or otherwise) against Franchisee and remains undismissed for a period of sixty (60) days.
- 3.7. **Purchase of Franchised Location.** If Franchisee or any entity with which Franchisee has any financial interest enters into any agreement to purchase the Franchised Location from Landlord. Franchisee and Landlord shall each provide Franchisor with independent and separate written notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement no later than fifteen (15) days after the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement.

4. CONSENT TO ASSIGNMENT

Landlord hereby consents to the Assignment and agrees that its consent to the Assignment shall remain in effect during the entire term of the Lease and any and all renewals and extensions of the Lease. The Lease shall not be amended, modified, altered, assigned, extended, renewed or terminated by Landlord, nor shall the Franchised Location be sublet by Franchisee with the consent of Landlord, without the prior written consent of Franchisor.

5. EXERCISE OF OPTION BY FRANCHISOR

Franchisor shall exercise the Option by giving written notice to Franchisee and Landlord of its affirmative election to do so within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement.

- 5.1. **Cure Defaults.** If Franchisor exercises the Option, Franchisee, Franchisor or its franchisee-designee, shall have the right to cure all uncured defaults of Franchisee under the Lease which exist as of the date of the exercise of the Option when Franchisor or its franchisee-designee is put into actual possession of the Tastea Tea Bar. The period of time to cure all

defaults of Franchisee under the Lease shall be reasonably and appropriately extended by Landlord beyond the cure period provided to Franchisee under the Lease.

- 5.2. **Assignment of Rights.** Franchisor shall have the right, concurrently with or subsequent to Franchisor's exercise of the Option, to assign and transfer its rights under this Agreement to an affiliate or a franchisee of Franchisor without the prior consent of Landlord. In the event of such an assignment or transfer, the Franchisor's affiliate-designee or franchisee-designee shall obtain the Assignment in place and instead of Franchisor.
- 5.3. **Indemnification by Assignor.** Franchisee agrees to pay and reimburse Franchisor and to hold Franchisor harmless from and against any and all costs, damages, attorneys' fees, liabilities or other expenses of any nature whatsoever incurred by Franchisor in connection with the enforcement of Franchisor's rights and/or the performance of Franchisor's rights or obligations under this Agreement. Franchisor's exercise of the Option shall not release Franchisee from any liability to Landlord or Franchisor for any rents, costs, damages, attorneys' fees, liabilities or other expenses incurred by Franchisor or Landlord as a result of Franchisee's defaults or actions under Sections 3.1 through 3.7 of this Agreement.

6. TERM OF AGREEMENT

This Agreement shall terminate upon the termination of the Lease with the written consent of Franchisor.

7. TERMINATION OF LEASE AND FRANCHISE AGREEMENT

- 7.1. **Termination of Lease.** If, and only if, Franchisor exercises the Option, upon any termination of the Lease prior to the expiration date of the Lease or upon expiration of the term of the Lease in violation of Section 3.4 of this Agreement, following Franchisor's exercise of the Option, Franchisor shall, in Franchisor's discretion, either succeed to Franchisee's rights under the Lease or Landlord shall enter into a substitute lease for the Franchised Location with Franchisor, or its designee, on the identical terms and conditions as contained in the Lease, for the remaining term of the Lease, with identical extension or renewal options, within ten (10) business days of the termination or expiration of the Lease.
- 7.2. **Termination of Franchise Agreement.** Upon Franchisor's exercise of the Option, Franchisee shall surrender possession of the Franchised Location to Franchisor and Franchisor shall be entitled to, and Franchisee shall provide Franchisor with, immediate possession of the Franchised Location and Franchisee shall no longer be entitled to the use or occupancy of the Tastea Tea Bar or the Franchised Location, including all of

Franchisee's rights in and to the same, including all improvements, buildings and fixtures which are a part of the same will, in all respects, be deemed to have been terminated and, under the terms of this Agreement and the applicable provisions of the Franchise Agreement, assigned to Franchisor. Franchisor shall have the right to manage and operate the Tastea Tea Bar at the Franchised Location immediately upon its exercise of the Option.

- 7.3. **De-Identification of Tea Bar.** If Franchisor does not exercise the Option upon a termination of the Franchise Agreement and/or Lease, Franchisor shall have the right to enter the Tastea Tea Bar and the Franchised Location to remove and modify to Franchisor's satisfaction, all distinctive design features and characteristics of the Tastea Tea Bar and the Franchised Location, including distinctive interior designs and surface materials and refrigeration equipment, display fixtures, color décor and interior and exterior signs and all other items identifying the Tastea Tea Bar and the Franchised Location as a Tastea Tea Bar.

8. RESTRICTIONS ON TRANSFER

This Agreement may not be assigned by Franchisee without the prior written consent of Franchisor. Franchisee shall not sell, transfer, assign, sublet or otherwise encumber any or all of its right, title or interest in and to the Tastea Tea Bar, the Franchise Agreement or the Lease, except in accordance with the applicable terms and conditions of the Franchise Agreement. Franchisee shall not amend, modify or alter the Lease during the term of this Agreement without the prior written consent of Franchisor and shall provide Franchisor with at least thirty (30) days prior written notice of any proposed amendment, modification, alteration, extension or renewal of the Lease.

9. POWER OF ATTORNEY

Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to exercise any and all of Franchisee's rights in, to and under the Lease and in and to the Franchised Location upon the occurrence of a default or an event of default under the Lease or Franchise Agreement. Landlord acknowledges this appointment and agrees to recognize and accept the rights and actions of Franchisor under this appointment.

10. GENERAL PROVISIONS

- 10.1. **Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State in which the Franchised Location is located.
- 10.2. **Notices.** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

Tastea Franchising, LLC
11612 Knott Street #G5
Garden Grove, California 92841
Attention: Manager/ Managing Member

With a copy to (which shall not constitute notice):

Dan X. Nguyen, Esq.
13950 Milton Avenue Suite 300
Westminster, CA 92693
Email: dan@CaneiLaw.com

Notices to Franchisee:

Attention: _____
Facsimile No.: _____

Notices to Landlord:

Attention: _____
Facsimile No.: _____

Any Party may change his or its address by giving ten (10) days prior written notice of such change to all other Parties.

- 10.3. **Waivers.** The delay, omission or forbearance by Franchisor to take action to remedy or seek damages for the breach or default of any term, covenant or condition of this Agreement or to exercise any right, power or duty arising from such breach or default shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach or default of the same or any other term, covenant or condition of this Agreement. The subsequent acceptance of performance by Franchisor shall not be deemed to be a waiver of any preceding breach or default by Franchisee other than its failure to pay the particular payment so accepted, regardless of Franchisor's knowledge of such preceding breach or default at the time of acceptance of such payment.
- 10.4. **Attorneys' Fees.** If any legal action is brought to enforce the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that Party may be entitled.
- 10.5. **Modification.** This Agreement may be modified only by a writing executed by the Party sought to be bound.
- 10.6. **Entire Agreement.** This Agreement, and the other agreements referred to in this Agreement, and any other agreement that may be executed by the Parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the Parties with regard to the subject matter of this Agreement and any agreement, representation or understanding, express or implied, heretofore made by the Parties or exchanged between the Parties are hereby waived and canceled.
- 10.7. **Cumulative Remedies.** Any specific right or remedy set forth in this Agreement, legal, equitable or otherwise shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law.
- 10.8. **Captions.** The various titles of the Sections in this Agreement are used solely for convenience and shall not be used in interpreting or construing any word, clause, Section or subparagraph of this Agreement.
- 10.9. **Gender.** All words used in this Agreement in the singular shall include the plural and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine.
- 10.10. **Successors.** This Agreement shall be binding upon all of the Parties to this Agreement, their respective heirs, executors, administrators, personal representatives, successors and assigns.

- 10.11. **Severability.** The invalidity of any one or more of the provisions contained in this Agreement, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.
- 10.12. **Additional Documents.** Each of the Parties agrees to execute, acknowledge and deliver to the other Party and to procure the execution, acknowledgment and delivery to the other Party of any additional documents or instruments which either Party may reasonably require to fully effectuate and carry out the provisions of this Agreement.
- 10.13. **Counterparts and Electronic Copies.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.
- 10.14. **General.** Franchisee acknowledges that Franchisee has carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that Franchisee has obtained the advice of counsel in connection with entering into this Agreement, that Franchisee understands the nature of this Agreement and that Franchisee intends to comply herewith and be bound hereby. Franchisee further acknowledges that it has read and understood this Agreement and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.
- 10.15. **Atypical Terms.** Franchisee acknowledges and agrees that Franchisor has made no warranty or representation that all Option to Obtain Lease Assignment Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Option to Obtain Lease Assignment Agreements previously executed or executed after the date of this Agreement with other Tastea franchisees in a non-uniform manner.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

FRANCHISOR:

TASTEY FRANCHISING, LLC,

A California limited liability company

By: _____

Name:

Title:

FRANCHISEE:

a/an _____

By: _____

Name:

Title:

LANDLORD:

a/an _____

By: _____

Name:

Title:

TASTEY FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT D
CONFIDENTIALITY AGREEMENT
(FOR FRANCHISEE CANDIDATE)

TASTEAL FRANCHISING, LLC
CONFIDENTIALITY AGREEMENT
(FOR FRANCHISEE CANDIDATE)

THIS CONFIDENTIALITY AGREEMENT (this “**Agreement**”) is made this ____ day of _____, 20____ (the “**Effective Date**”), by and between TASTEAL FRANCHISING, LLC, a California limited liability company (“**Franchisor**”), on the one hand, and _____, a _____ (“**Candidate**”), on the other hand, who are also individually referred to in this Agreement as a “**Party**”, and collectively referred to in this Agreement as “**Parties**”. For purposes of this Agreement, the term “**Affiliate**” or “**Affiliates**,” with respect to a Party to this Agreement, means any person or entity controlling, controlled by, or under common control with such applicable Party.

RECITALS

- A. Franchisor and its Affiliates have developed and continue to develop the “**Tasteal System**” for the establishment and operation of one or more quick-serve restaurants (“**Tasteal Tea Bars**”) whose primary gross sales are from the sale of handcrafted fruit and milk-based tea drinks, iced tea, iced and cold brew coffee, smoothies, and slushies with add-on options and specialty fried food items currently consisting of Asian style and seasoned French fries, hand-battered popcorn chicken and shrimp items (collectively, “**Tasteal Products**”), using the trade name and service mark “**Tasteal**” and other related trademarks, service marks, logos and commercial symbols (collectively, the “**Tasteal Marks**”). The “**Tasteal System**” also means the unique system developed by Franchisor and its Affiliates that includes the operations, operating methods, methodologies, processes and practices related to one or more Tasteal Tea Bars, authorized Tasteal Products and/or Tasteal Marks, including (i) the practices between Franchisor and one or more of its franchisees, (ii) interior and exterior Tasteal Tea Bar designs and decor, (iii) items or elements of trade dress, (iv) specifications for products, equipment, fixtures and uniforms, (v) defined product offerings and menu items, (vi) recipes, formulations and ingredients, (vii) preparation methods, methodologies, processes and practices, (viii) specified pricing and promotions, (ix) operating and administrative procedures, (x) management and technical training programs, (xi) marketing and public relations programs, (xii) Franchisor’s website, intranet and related content, (xiii) other items that may from time to time be created, conceived, produced, and/or developed in connection with one or more Tasteal Tea Bars, authorized Tasteal Products and/or Tasteal Marks; all and in each case as Franchisor may add to, delete from, modify, supplement, or otherwise change from time to time.

- B. Franchisor has expended and continues to expend significant and substantial time, skill, effort, and money to develop a distinctive franchise model for qualified franchisees to obtain the right to operate a Tastea Tea Bar using the Tastea Marks and certain aspects of the Tastea System.
- C. Candidate desires to review confidential and proprietary information of Franchisor regarding the Tastea System to solely for purposes Candidate's evaluation a Candidate's desire to operate a Tastea Tea Bar franchise, and Franchisor may provide Candidate with certain confidential and proprietary information regarding the Tastea System prior to granting or declining to grant Candidate a franchise, subject to Candidate's strict compliance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. INCORPORATION OF RECITALS

The recitals set forth above are true and correct and are hereby incorporated by reference into the body of this Agreement.

2. CONFIDENTIALITY AND USE OF CONFIDENTIAL INFORMATION

Candidate acknowledges and agrees:

- 2.1. **Confidential Information.** "Confidential Information" means any and all information, knowledge, and/or data, whether or not in writing, in electronic format, or in other tangible or intangible medium, concerning Franchisor, any or its Affiliates and/or any of their respective businesses, operations, practices, styles, products and/or services, that has been furnished or is to be furnished to Candidate by, or Candidate has otherwise obtained or obtains from, Franchisor, an Affiliate of Franchisor, or another person or entity. By way of illustration, but not limitation, "Confidential Information" includes information, knowledge and data relating to the Tastea System and elements or portions thereof, business operations, practices, styles, products, services, recipes, sources of materials and equipment, customer management, software, data, content, formulations, ingredients, compositions, patterns, compilations, programs, devices, processes, methods, methodologies, standards, business relationships, contact information for industry professionals, developmental or experimental products and services, improvements, discoveries, plans for research, potential new or supplemental products

and services, websites and website content, advertisements, ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names, addresses and contact information, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, information regarding the skills and compensation of employees, contractors and other personnel of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales and license techniques, inventions, copyrightable material, trademarkable material, intellectual property rights, trade secrets, databases, relationships between Franchisor and other persons or entities, knowledge or know-how, including knowledge or know-how concerning the methods of operation of one or more Tastea Tea Bars, any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, any other information that is not generally known by the public or which derives independent economic value (actual or potential) from not being generally known to the public, and any other information which, given the circumstances surrounding its disclosure, would be considered confidential. “**Confidential Information**” also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Candidate.

Confidential Information does not include any information that: (i) was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor without any duty or obligation of confidentiality; (ii) is or becomes generally available to the public by lawful acts other than those of Candidate after receiving it; (iii) has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor, an Affiliate of Franchisor, or Candidate without any duty or obligation of confidentiality; or (iv) is shown by Candidate with documentary evidence acceptable to Franchisor to have been independently developed by Candidate without any use or access to any Confidential Information.

- 2.2. **Valuable and Proprietary.** Confidential Information: (i) has been developed by Franchisor and its Affiliates by the investment of significant time, skill, effort and money and is of substantial value to Franchisor and its Affiliates; (ii) it is not generally known by the public or parties other than Franchisor and its Affiliates and its franchisees; (iii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated or not associated with Franchisor; (iv) is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information; and (v) is proprietary and constitutes a trade secret of Franchisor and its Affiliates.
- 2.3. **Maintaining Confidentiality.** Candidate will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in

safeguarding the Confidential Information and will not disclose or reveal any Confidential Information or any part thereof to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person's signature on a Non-Disclosure Agreement providing the same terms and conditions as this Agreement and in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them..

- 2.4. **Reproduction and Use.** Candidate will not directly or indirectly reproduce or copy or create any summary or extract of any Confidential Information or any part thereof, and will make no use of any Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate's Franchise Agreement.

3. GENERAL

- 3.1. **Injunction.** Candidate recognizes the unique value of the Confidential Information and the elements of the Tastea System, and hereby agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of any Confidential Information will cause irreparable damage to Franchisor and its Affiliates. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of any Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.
- 3.2. **Heirs and Successors.** This Agreement shall be binding upon and inure to the benefit of the Parties, their heirs, successors and assigns.
- 3.3. **Entire Agreement.** This Agreement represents the entire understanding between the Parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The Parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the Parties.
- 3.4. **No Warranties.** Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the Tastea Tea Bar, that Candidate has been

informed by Franchisor that there can be no guaranty of success in the Tastea Tea Bar and that Candidate's business ability and aptitude are primary in determining Candidate's success.

- 3.5. **No Right to Use the Tastea System or the Tastea Marks.** This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, any Confidential Information or the Tastea System or any part thereof, which right is expressly reserved by Franchisor.
- 3.6. **Waiver.** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.
- 3.7. **Validity.** Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions of this Agreement, and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.
- 3.8. **Headings and Gender.** The headings herein are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.
- 3.9. **Attorneys' Fees.** If Franchisor or any of its Affiliates becomes a party to any proceedings concerning this Agreement by reason of any act or omission of Candidate or any of its officers, directors, managers, employees, owners, personnel, advisors, agents or representatives, Candidate shall be liable to Franchisor and its Affiliates for the reasonable attorneys' fees and costs incurred by Franchisor and its Affiliates in such proceedings. If either Party commences a legal proceeding against the other Party to enforce this Agreement, the prevailing Party shall be entitled to have and recover from the other Party its reasonable attorneys' fees and costs.
- 3.10. **Cumulative Remedies.** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.
- 3.11. **Notices.** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by courier delivery for next business day delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) one (1) business day after delivery by the Party giving the notice, statement or demand if by courier for next business day delivery with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by certified mail, return receipt requested, with postage prepaid. Notices and demands shall be given to

the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

Tastea Franchising, LLC
11612 Knott Street #G5
Garden Grove, California 92841
Attention: Manager/ Managing Member

With a copy to (which shall not constitute notice):

Dan X. Nguyen, Esq.
13950 Milton Avenue Suite 300
Westminster, CA 92693
Email: dan@CaneiLaw.com

Notices to Franchisee Candidate:

Attention: _____

Either Party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

- 3.12. **Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California.
- 3.13. **Venue.** The Parties agree that any action brought by either Party against the other in any court, whether federal or state, shall be brought within the city and county in which Franchisor has its principal place of business at the time the action is initiated, and the Parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 3.14. **Counterparts and Electronic Copies.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

FRANCHISOR:

TASTEY FRANCHISING, LLC,

A California limited liability company

CANDIDATE:

a/an _____

By:

Name:

Title:

By: _____

Name:

Title:

TASTEY FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E
CONFIDENTIALITY AGREEMENT
(FOR EMPLOYEES OF FRANCHISEE)

TASTEAL FRANCHISING, LLC
CONFIDENTIALITY AGREEMENT
(FOR EMPLOYEES OF FRANCHISEE)

THIS CONFIDENTIALITY AGREEMENT (this “**Agreement**”) is made this ____ day of _____, 20____ (the “**Effective Date**”), by and between TASTEAL FRANCHISING, LLC, a California limited liability company (“**Franchisor**”), _____, a _____ (“**Franchisee**”), and _____, an employee of Franchisee, (“**Employee**”). Franchisor, Franchisee and Employee are also individually referred to as a “**Party**”, and collectively referred to as “**Parties**” in this Agreement. For purposes of this Agreement, the term “**Affiliate**” or “**Affiliates**,” with respect to a Party to this Agreement, means any person or entity controlling, controlled by, or under common control with such applicable Party. For clarification, Franchisee is not an Affiliate of Tastea.

RECITALS

- A. Franchisor and its Affiliates have developed and continue to develop the “Tastea System” for the establishment and operation of one or more quick-serve restaurants (“**Tastea Tea Bars**”) whose primary gross sales are from the sale of handcrafted fruit and milk-based tea drinks, iced tea, iced and cold brew coffee, smoothies, and slushies with add-on options and specialty fried food items currently consisting of Asian style and seasoned French fries, hand-battered popcorn chicken and shrimp items (collectively, “**Tastea Products**”), using the trade name and service mark “**Tastea**” and other related trademarks, service marks, logos and commercial symbols (collectively, the “**Tastea Marks**”). The “**Tastea System**” also means the unique system developed by Franchisor and its Affiliates that includes the operations, operating methods, methodologies, processes and practices related to one or more Tastea Tea Bars, authorized Tastea Products and/or Tastea Marks, including (i) the practices between Franchisor and one or more of its franchisees, (ii) interior and exterior Tastea Tea Bar designs and decor, (iii) items or elements of trade dress, (iv) specifications for products, equipment, fixtures and uniforms, (v) defined product offerings and menu items, (vi) recipes, formulations and ingredients, (vii) preparation methods, methodologies, processes and practices, (viii) specified pricing and promotions, (ix) operating and administrative procedures, (x) management and technical training programs, (xi) marketing and public relations programs, (xii) Franchisor’s website, intranet and related content, (xiii) other items that may from time to time be created, conceived, produced, and/or developed in connection with one or more Tastea Tea Bars, authorized Tastea Products and/or Tastea Marks; all and in each case as Franchisor may add to, delete from, modify, supplement, or otherwise change from time to time.

- B. Franchisor has expended and continues to expend significant and substantial time, skill, effort, and money to develop a distinctive franchise model for qualified franchisees to obtain the right to operate a Tastea Tea Bar using the Tastea Marks and certain aspects of the Tastea System.
- C. Franchisor has and continues to protect the confidentiality of the Confidential Information (as defined in Section 2) by, among other things, (i) not revealing the confidential contents of the Confidential Information to unauthorized parties, (ii) requiring franchisees and employees of franchised and company-owned Tastea Tea Bars to acknowledge and agree in writing that the Confidential Information is confidential, (iii) requiring franchisees and employees of franchised and company-owned Tastea Tea Bars to agree in writing to maintain the confidentiality of the Confidential Information and to take reasonable measures to protect its confidentiality, (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties, and (v) requiring franchisees and employees of franchised and company-owned Tastea Tea Bars to return or destroy all Confidential Information to Franchisor upon the expiration and termination of their Franchise Agreements.
- D. In connection with franchisee-owned Tastea Tea Bars, Franchisor and Franchisee have entered into a Franchise Agreement under which Franchisor has granted Franchisee the right to operate a Tastea Tea Bar and to use certain elements of the Tastea System, certain Tastea Marks, the Manuals, and certain Confidential Information solely for purposes of Franchisee's operation of the Tastea Tea Bar.
- E. In connection with franchisee-owned Tastea Tea Bars, Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from each employee employed by Franchisee, each independent contractor engaged by Franchisee, and other personnel of Franchisee who may have access to any Confidential Information to (i) maintain the confidentiality of the Confidential Information, (ii) not use any Confidential Information other than in the course of his or her employment or engagement by Franchisee, and (iii) not disclose any of the Confidential Information to any unauthorized parties during the period of time that such Employee is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends.
- F. During Employee's employment with Franchisee, and in connection with Employee's duties, Employee may desire or need to receive certain Confidential Information.
- G. Franchisor and Franchisee is willing to provide certain Confidential Information to Employee, and Employee acknowledges and agrees that the receipt and use of Confidential Information will be subject to Employee's compliance with terms and conditions of this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. INCORPORATION OF RECITALS

The recitals set forth above are true and correct and are hereby incorporated by reference into the body of this Agreement.

2. CONFIDENTIALITY AND USE OF CONFIDENTIAL INFORMATION

Employee acknowledges and agrees:

- 2.1. **No Prior Experience, Information or Knowledge.** Prior to his or her employment by Franchisee, Employee had no experience, information or knowledge whatsoever regarding the Tastea System, the Tastea Marks, the Manuals, or any of the Confidential Information. Employee's knowledge of the Confidential Information was obtained and will be obtained only from Franchisor or Franchisee and only in the course of Employee's employment by Franchisee.
- 2.2. **Confidential Information.** "Confidential Information" means any and all information, knowledge, and/or data, whether or not in writing, in electronic format, or in other tangible or intangible medium, concerning Franchisor or any of its respective businesses, operations, practices, styles, products and/or services, that has been furnished or is to be furnished to Employee by, or Employee has otherwise obtained or obtains from Franchisor, Franchisee, or another person or entity. By way of illustration, but not limitation, "Confidential Information" includes information, knowledge and data relating to the Tastea System and elements or portions thereof, business operations, practices, styles, products, services, recipes, sources of materials and equipment, customer management, software, data, content, formulations, ingredients, compositions, patterns, compilations, programs, devices, processes, methods, methodologies, standards, business relationships, contact information for industry professionals, developmental or experimental products and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites and website content, advertisements, ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names, addresses and contact information, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, information regarding the skills and compensation of employees, contractors and other

personnel of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales and license techniques, inventions, copyrightable material, trademarkable material, intellectual property rights, trade secrets, databases, relationships between Franchisor and other persons or entities, knowledge or know-how, including knowledge or know-how concerning the methods of operation of one or more Tastea Tea Bars, the Manuals, any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, any other information that is not generally known by the public or which derives independent economic value (actual or potential) from not being generally known to the public, and any other information which, given the circumstances surrounding its disclosure, would be considered confidential. "Confidential Information" also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Franchisor, Franchisee, or Employee.

Confidential Information does not include any information that: (i) was in the lawful and unrestricted possession of Employee prior to its disclosure by or on behalf of Franchisor or Franchisee without any duty or obligation of confidentiality; (ii) is or becomes generally available to the public by lawful acts other than those acts of Employee after receiving it; (iii) has been received lawfully and in good faith by Employee from a third party who did not derive it from Franchisor, Franchisee, or Employee without any duty or obligation of confidentiality; or (iv) is shown by Employee with documentary evidence acceptable to Franchisor to have been independently developed by Employee without any use or access to any Confidential Information.

- 2.3. **Valuable and Proprietary.** Confidential Information: (i) has been developed by Franchisor and its Affiliates by the investment of significant time, skill, effort and money and is of substantial value to Franchisor; (ii) it is not generally known by the public or parties other than Franchisor, its Affiliates, and franchisees; (iii) derives independent economic value (actual or potential) from not being generally known to the public or persons not associated with Franchisor; (iv) is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information; and ; and (v) is proprietary and constitutes a trade secret of Franchisor and its Affiliates.
- 2.4. **Scope and Extent of Confidential Information.** Notwithstanding anything to the contrary in this Agreement, Franchisor and Franchisee will have full and absolute discretion to determine the scope and extent of Employee that will be provided to and that Franchisor does not have any obligation to provide any Confidential Information to Employee.
- 2.5. **No Warranty.** Any and all information, including Confidential Information, provided by or on behalf of Franchisor is and will be provided "as is", "where is" with no

representation or warranty of any kind, express or implied, including any warranty of merchantability, fitness or non-infringement, and all such warranties are hereby disclaimed by Franchisor and Franchisee and waived by Employee.

2.6. **Maintaining Confidentiality.** Employee will fully and strictly maintain the confidentiality of the Confidential Information, exercise the highest degree of diligence in safeguarding the Confidential Information, and in any event not less than a commercially reasonable standard of care under the circumstances.

2.7. **Use and Reproduction.** Regarding the use and reproduction of Confidential Information, Employee will not without Franchisor's or Franchisee's prior written consent, directly or indirectly:

(i) disclose or reveal any Confidential Information or any part thereof to any person other than Franchisee or another person employed by Franchisee while as an employee of Franchisee, and will then do so only to the degree necessary to carry out Employee's duties as an employee of Franchisee; or

(ii) alter any proprietary notices contained in any Confidential Information; or

(iii) reproduce or copy or create any summary or extract of any Confidential Information or any part thereof.

If Employee creates any documents or other embodiments that contains any Confidential Information if and as permitted under this Agreement, such documents and embodiments will be considered part of the Confidential Information, and Employee will identify the confidential and proprietary nature of the Confidential Information.

2.8. **Improvements.** If Employee creates, conceives or develops, using Confidential Information, whether solely or jointly with others, any ideas, concepts, information, know-how, formulations, recipes, inventions, original works of authorship, specifications, developments, techniques, processes, practices, methods, methodologies, improvements, derivative works, trade secrets, or other proprietary or intellectual property rights, whether or not patentable, protectable or registrable or reduced to practice, in any form or medium, in connection with and directly pertaining to Tastea Products and as a result of Confidential Information (collectively, "**Improvements**"), Employee will promptly notify Franchisor and provide Franchisor with all information, data, documentation, specimen, and samples related to any and all Improvements. All Improvements will be the sole property of Franchisor and Franchisor will be the sole owner of all related intellectual property rights. Employee hereby assigns, and hereby agrees to assign, to Franchisor any and all rights, title and interests Employee may have or acquire in the Improvements, including all intellectual property rights related to the Improvements or any part thereof, and Employee hereby waives and releases all rights

of restraint and moral rights therein and thereto. Employee will assist Franchisor in obtaining and enforcing the intellectual property rights to any Improvement in any and all countries and will execute and provide Franchisor with all documentation requested by Franchisor for obtaining and enforcing those rights. Employee hereby irrevocably designates and appoints Franchisor and its designees as Employee's agent and attorney-in-fact to execute and file any documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property rights related to any Improvement. If the foregoing assignment of the Improvements to Franchisor in the foregoing provisions is found to be invalid or otherwise unenforceable, Employee hereby grants to Franchisor a worldwide, perpetual, exclusive, fully-paid, royalty-free, transferable, unrestricted license to the Improvements, including the right to use, modify, create derivative works and improvements, grant sublicenses, and otherwise fully commercially exploit any and all Improvements.

- 2.9. **Compelled Disclosure by Law.** If Employee receives a request to disclose any Confidential Information pursuant to a subpoena, order or written request issued by a court of competent jurisdiction or by a government agency or if Employee is otherwise obligated to disclose any Confidential Information under applicable law, rule or regulation, (each, a "**Law**"), Employee will, to the extent not prohibited by Law, (i) provide Franchisor and Franchisee with written notice thereof as soon as possible, (ii) except to the extent prohibited by Law, furnish only such portion of the Confidential Information which is legally required to be furnished, and (iii) except to the extent prohibited by Law, reasonably cooperate with Franchisor and Franchisee to obtain such protective order or other assurance that confidential treatment will be accorded to such Confidential Information.
- 2.10. **Restrictions.** Employee specifically acknowledges and agrees Employee may receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the trade secrets, proprietary information, intellectual property rights, operational, sales, promotional, and marketing methods and techniques of Franchisor and the Tastea System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy. Employee therefore covenants that Employee shall not, either directly or indirectly, or through, on behalf of, or in conjunction with any person, or legal entity:
- (i) divert or attempt to divert any present or prospective Franchisor client, business partner, supplier, manufacturer, vendor or franchisee to any competitor, by direct or indirect inducement or otherwise; or
 - (ii) do or perform any act injurious or prejudicial to the goodwill associated with any Tastea Marks or the Tastea System or any part thereof; or

(iii) employ or seek to employ any person who is or has been within the previous thirty (30) days employed by Franchisor or its franchisees as a salaried managerial employee, or otherwise directly or indirectly induce the person to leave his or her employment; or

(iv) own (either beneficially or of record), engage in or render services to without Franchisor's prior written consent, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any tea, coffee, or smoothie shop or other type of business that prepares, offers and sells teas, smoothies, slushies or other specialty beverages as its primary menu item and any business that looks like, copies, imitates, or operates with similar trade dress or décor to the Tastea Tea Bar; or

(v) create, conceive, produce or reproduce, copy, engineer or reverse engineer, formulate or re-formulate, make any improvement or enhancement upon, make any derivative works, or otherwise create or develop, or attempt to do any of the foregoing, any Tastea Products; or

(vi) bypass or circumvent or attempt to bypass or circumvent Franchisor by communicating with or having any business dealings, relationships or arrangements with any of Franchisor's suppliers, manufacturers, or vendors (collectively, "**Tastea Suppliers**") in connection with any Tastea Products. Without limiting the foregoing, by illustration, this restrictive covenant includes, but is not limited to, seeking to establish any verbal or written agreement or other relationship or arrangement with any Tastea Supplier for the purpose of or with the effect of bypassing or circumventing Franchisor.

3. TERM AND TERMINATION

3.1. **Term.** This Agreement will remain in effect while Employee is employed by Franchisee, or while any Confidential Information is knowingly in the possession or control of Employee, whichever is later.

3.2. **Termination.** Immediately upon (i) the termination of this Agreement or (ii) at any other time if so requested by Franchisor, Employee will: (a) immediately cease and desist use of all Confidential Information; and (b) return to Franchisor or destroy all Confidential Information, including all reproductions, embodiments, summaries, and extracts thereof in the possession or control of Employee, including such items created by, on behalf of or for Employee.

4. GENERAL

4.1. **Injunctive Relief and Remedies.** Employee recognizes the unique value of the Confidential Information and the elements of the Tastea System, and hereby agrees that

Employee's noncompliance with the terms of this Agreement or any unauthorized or improper use of any Confidential Information by Employee will cause irreparable damage to Franchisor and Franchisee. Employee therefore agrees that if Employee should engage in any unauthorized or improper use or disclosure of any Confidential Information, Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Confidential Information in addition to any other remedies prescribed by law. Due to the irreparable damage that would result to Franchisor and Franchisee from any violation of this Agreement, Employee acknowledges and agrees that any claim Employee believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Employee's obligations under this Agreement and will not entitle Employee to violate or justify any violation of any provisions of this Agreement. Franchisor and Franchisee shall have the independent right to enforce the terms of this Agreement against Employee.

- 4.2. **Heirs and Successors.** This Agreement shall be binding upon and inure to the benefit of the Parties, their heirs, successors and assigns.
- 4.3. **Entire Agreement.** This Agreement represents the entire understanding between the Parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Tastea, Franchisee and Employee that expressly modifies this Agreement. The Parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the Parties.
- 4.4. **No Right to Use Tastea Marks or Tastea System.** This Agreement is not a license of any sort, and does not grant Employee any right to use or to license the use of, any Confidential Information or the Tastea System or any part thereof, which right is expressly reserved by Franchisor.
- 4.5. **Waiver.** Failure by Franchisor or Franchisee to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance.
- 4.6. **Validity.** Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions, and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

- 4.7. **Headings and Gender.** The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement. As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.
- 4.8. **Attorneys' Fees.** If Franchisor or Franchisee becomes a Party to any proceedings concerning this Agreement by reason of any act or omission of Employee, Employee shall be liable to Franchisor and Franchisee for the reasonable attorneys' fees and costs incurred by Franchisor and Franchisee in the proceedings. If any Party (including any third-party beneficiary) to this Agreement commences any legal proceeding against another Party to enforce this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs of suit.
- 4.9. **Cumulative Remedies.** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.
- 4.10. **Notices.** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by courier delivery for next business day delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) one (1) business day after delivery by the Party giving the notice, statement or demand if by courier for next business day delivery with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by certified mail, return receipt requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

Tastea Franchising, LLC
11612 Knott Street #G5
Garden Grove, California 92841
Attention: Manager/ Managing Member

With a copy to (which shall not constitute notice):

Dan X. Nguyen, Esq.
13950 Milton Avenue Suite 300
Westminster, CA 92693
Email: dan@Caneilaw.com

Notices to Franchisee:

Attention:

Notices to Employee:

Attention:

Any Party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other Parties.

- 4.11. **Governing Law.** This Agreement takes effect upon its acceptance and execution by the Parties in California, and shall be interpreted and construed under the laws of California. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Tastea Tea Bar is located outside of California and such provision would be enforceable under the laws of the state in which the Tastea Tea Bar is located, then such provision shall be interpreted and construed under the laws of that state.
- 4.12. **Venue.** The Parties agree that any action brought by either Party against the other in any court, whether federal or state, shall be brought within the State of California in the county in which Franchisor has its principal place of business at the time the action is initiated, or as otherwise selected by Franchisor in its sole and absolute discretion, and the Parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 4.13. **Counterparts and Electronic Copies.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

FRANCHISOR:

TASTEY FRANCHISING, LLC,

A California limited liability company

By: _____

Name:

Title:

FRANCHISEE:

a/an _____

By: _____

Name:

Title:

EMPLOYEE:

By: _____

Name:

Title:

TASTEY FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT F
GENERAL RELEASE AGREEMENT

TASTEА FRANCHISING, LLC

GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this “**Agreement**”) is made this ____ day of _____, 20____ (the “**Effective Date**”), by and between TASTEА FRANCHISING, LLC, a California limited liability company (“**Franchisor**”), on the one hand, and _____, a _____ (“**Franchisee**”), and _____ (“**Owner**”), on the other hand and who together are also referred to in this Agreement as the “**Releasing Parties**”. Franchisor, Franchisee and Owner are also individually referred to as a “**Party**”, and collectively referred to as “**Parties**” in this Agreement.

RECITALS

- A. Franchisor and Franchisee are Parties to the Franchise Agreement dated _____ (the “**Franchise Agreement**”) for the Tasteа tea bar (the “**Tasteа Tea Bar**”) located at _____ (the “**Franchised Location**”).
- B. Franchisee desires to enter into a _____.
- C. This Agreement has been requested at a juncture in the relationship of the Parties where Franchisor is considering either a change or an expansion of the relationship between the Parties and/or their affiliates. Franchisor is unwilling to make the anticipated change or expansion of the relationship of the Parties unless it is certain that it is proceeding with a “clean slate” and that there are no outstanding grievances or Claims against it. The Releasing Parties, therefore, give this Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the Parties. The Releasing Parties acknowledges that this Agreement is intended to wipe the slate clean.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth under this Section 1. Terms not defined under this Section 1 shall have the meanings specified elsewhere in the text of this Agreement.

“Claims” means all actual and alleged claims, actions, rights and causes of action, rights to terminate and rescind, suits, appeals, attorneys’ fees, Losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, costs, expenses, liens, bonds, bills, specialties, covenants, contracts (whether written or oral), agreements (whether written or oral), obligations, responsibilities, promises, warranties, responsibilities, variances, controversies, trespasses, violations, charges, damages, judgments, extents, executions, cross claims, third party claims, and demands, of every kind and nature whatsoever, whether now known or unknown, foreseen or unforeseen, matured, or unmatured, suspected or unsuspected, in law, admiralty, or equity.

“Constituents” means past, present and future affiliates, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

“Excluded Matters” means Franchisor’s continuing contractual obligations which arise or continue under and pursuant to the Franchise Documents on and after the date of this Agreement (this Agreement is not intended to terminate or amend the Franchise Agreement; this Agreement is intended to relieve Franchisor and its Constituents of responsibility for its or their failure, if any, to have timely performed or completed obligations which by the terms of the Franchise Agreement were to have been performed or completed prior to the Effective Date).

“Franchisor Released Parties” means Franchisor and each of its Constituents.

“Losses” means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys’ fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration.

2. RELEASE AND WAIVER OF CLAIMS

- 2.1. **Release of Claims.** The Releasing Parties, for themselves and their Constituents, hereby release and forever discharge the Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, except for the Excluded Matters and obligations under this Agreement.

2.2. **Waiver of Section 1542 of the California Civil Code.**

- 2.2.1. The Releasing Parties, for themselves and their Constituents, acknowledge that they are familiar with Section 1542 of the California Civil Code, which reads as follows: "**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party**".
- 2.2.2. With respect to those claims being released pursuant to Section 2.1, the Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this Section 2.2, Releasing Parties shall be considered to be the releasing party of the Franchisor Released Parties, and each of them. The Releasing Parties acknowledge that this general release extends to claims which the Releasing Parties do not know or suspect to exist in favor of Releasing Parties at the time of executing this Agreement, which if known by Releasing Parties may have materially affected their decision to enter into this Agreement. It is understood by Releasing Parties that the facts under which this Agreement is given may hereafter turn out to be other than or different from the facts known or believed to be true. The Releasing Parties therefore, expressly assume the risk of the facts turning out to be so different and agree that this Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

3. REPRESENTATIONS, WARRANTIES, COVENANTS NOT TO SUE, AND INDEMNITY

- 3.1. **Representations and Warranties.** The Releasing Parties hereby represent and warrant to the Franchisor that, in entering into this Agreement, they (i) are doing so freely and voluntarily upon the advice of counsel and business advisor of their own choice (or declined to do so, free from coercion, duress or fraud); (ii) have read and fully understand the terms and scope of this Agreement; (iii) realize that it is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Agreement; and have not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims which are released by this Agreement now or in the future, that they are aware of no third party who contends or claims otherwise, and that they shall not purport to assign, transfer, or convey any such claim hereafter.
- 3.2. **Covenants Not to Sue.** To the extent permitted by law, the Releasing Parties hereby covenants and agrees not to file, commence or initiate any suits, grievances, demands or

causes of action against the Franchisor Released Parties based upon or relating to any of the claims released and forever discharged pursuant to this Agreement. The Releasing Parties agrees that, to the extent permitted by law, if they commence, or persuade or instruct any third party to commence, any such action despite the provisions of this Agreement, they shall pay all reasonable costs and attorneys' fees actually incurred by the Franchisor Released Parties in defending against such claims, demands or causes of action, together with such and further damages as may result, directly or indirectly, from that breach.

- 3.3. **Indemnity.** Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, the Releasing Parties shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims whether or not involving third-party Claims, arising directly or indirectly from or in connection with (i) the assertion by or on behalf of the Releasing Parties or their Constituents of any Claim or other matter released pursuant to this Agreement, (ii) the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Agreement; and (iii) any breach of representations, warranties or covenants hereunder by the Releasing Parties or their Constituents.

4. GENERAL

- 4.1. **Modification.** This Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the Parties hereto.
- 4.2. **Entire Agreement.** This Agreement, and the other agreements referred to in this Agreement, and any other agreement that may be executed by the Parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the Parties with regard to the subject matter of this Agreement and any agreement, representation or understanding, express or implied, heretofore made by the Parties or exchanged between the Parties are hereby waived and canceled. This Agreement supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter.
- 4.3. **Counterparts and Electronic Copies.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.
- 4.4. **Heirs and Successors.** This Agreement shall be binding upon and inure to the benefit of

the Parties to this Agreement and their respective successors and permitted assigns.

- 4.5. **Not Construed Against Drafter.** The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the Parties hereto, and shall have no applicability in construing this Agreement or the terms of this Agreement.
- 4.6. **Validity.** Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.
- 4.7. **Opportunity to Consult Legal Counsel.** Each of the Parties acknowledges that it had the right and opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Agreement, and each of the Parties represents that it has either done so or that it has voluntarily declined to do so, free from coercion, duress or fraud.
- 4.9. **Governing Law and Venue.** This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Tastea Tea Bar is located outside of California and such provision would be enforceable under the laws of the state in which the Tastea Tea Bar is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 4.9 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. The Parties agree that any action brought by either Party against the other in any court, whether federal or state, shall be brought in Orange County, California, and the Parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

FRANCHISOR:

TASTEY FRANCHISING, LLC,

A California limited liability company

By: _____

Name:

Title:

FRANCHISEE:

a/an _____

By: _____

Name:

Title:

OWNER:

By: _____

Name:

an individual

TASTEA FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G
STATE SPECIFIC ADDENDA TO DISCLOSURE DOCUMENT

TASTEA FRANCHISING, LLC

STATE SPECIFIC ADDENDA TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, prior to a solicitation of a proposed material modification of an existing franchise.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

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

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.

1. **Addendum to Item 3 of Disclosure Document.** The following language is added:

Neither we nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. **Addendum to Item 17 of Disclosure Document.** The following language is added:

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).

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees 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 which extends beyond the termination of the franchise.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

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.

The Franchise Agreement provides that the parties must first attempt to resolve all disputes by mediation in Orange County, California. The fees and expenses of the mediator will be shared equally by Franchisor and Franchisee.

3. No statement, questionnaire, or acknowledgment signed or agreed to by franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable California 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.
4. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

TASTEY FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT H
CLOSING QUESTIONNAIRE

California Franchisees Should Not Complete This Questionnaire

**TASTEY FRANCHISING, LLC
CLOSING QUESTIONNAIRE**

The undersigned Franchisee desires to enter into a Franchise Agreement with Tastea Franchising, LLC, a California limited liability company (“**Franchisor**”). Franchisor requires that Franchisee complete this Questionnaire in order to enable Franchisor to confirm that Franchisor and its employees and representatives have fully complied with all applicable franchise registration and disclosure laws.

1. Full name of Franchisee (Include business entity if applicable):

2. Franchised Location:

3. Franchisee is: (Check applicable box)

- ☐ An individual
☐ A corporation
☐ A limited liability company
☐ A general partnership
☐ A limited partnership

4. If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of Franchisee: (Check applicable box)

- ☐ Officer (insert title):
☐ General Partner:
☐ Other (please explain):

5. Did Franchisee receive a Franchise Disclosure Document from Franchisor?

- ☐ Yes ☐ No

6. On what date was the Franchise Disclosure Document received, and by whom?

Recipient: _____ Date Received: _____

7. Below, please indicate the contracts proposed to be executed by Franchisee in connection with execution of the Franchise Agreement (the “**Agreements**”) and the date that the final form of each of the Agreements was delivered to Franchisee:

☐ Franchise Agreement Date Received: _____

☐ Asset Purchase Agreement Date Received: _____

8. Name of salesperson(s) handling this sale for Franchisor:

9. Except as provided in the Franchise Disclosure Document, were any oral or written statements made to Franchisee by Franchisor, the salesperson(s) listed above, or any other representatives of Franchisor concerning the actual sales, profits or earnings of any franchised or company-owned unit(s), or potential sales, profits or earnings that could be anticipated at any location?

☐ Yes ☐ No

If “yes”, please explain in detail (attach additional sheet if necessary) and if none, write “none”:

10. Did Franchisee carefully review and understand the Franchise Disclosure Document and the Franchise Agreement, as applicable, and the other Agreements? ☐ Yes ☐ No

If “no”, please explain:

10. Did Franchisee ask Franchisor any questions concerning the Franchise Disclosure Document or Agreements that were not satisfactorily answered?

☐ Yes ☐ No

If “yes”, please explain:

11. Did the salesperson(s) listed above, or any other employee or representative of Franchisor, make any statement to Franchisee which is inconsistent with the information described in the Franchise Disclosure Document? ☐ Yes ☐ No

If “yes”, please explain:

12. Has any employee or other person on Franchisor’s behalf made any statement or promise about Franchisor’s affiliated companies other than the information contained in the Franchise Disclosure Document? ☐ Yes ☐ No

If “yes”, please explain:

13. Did Franchisee contact other franchisees of Franchisor to discuss Franchisee's possible execution of the Franchise Agreement? ☐ Yes ☐ No

14. If your answer to question 14 was "yes", please identify these franchisees (attach extra sheets if necessary):

15. Did Franchisee employ an attorney to render advice to Franchisee concerning the execution of the Franchise Agreement? ☐ Yes ☐ No

If "yes", please insert the name address and telephone number of such attorney:

16. Did Franchisee consult with an accountant or other financial advisor in connection with the execution of the Franchise Agreement? ☐ Yes ☐ No

If "yes, please insert the name address and telephone number of such accountant or financial advisor: ☐ Accountant ☐ Other (please describe):

17. Has Franchisee, directly or through one or more affiliated business entities, previously owned and/or operated a business similar to a Tastea tea bar?

☐ Yes ☐ No

If "yes", how many, where, and for how long?

18. Has Franchisee, directly or through one or more affiliated business entities, previously owned and/or operated a Tastea tea bar? [] Yes [] No

If “yes”, for how long? _____.

19. If Franchisee has checked “yes” to question 19, Franchisee represents and agrees that Franchisee is entering into the Franchise Agreement based on Franchisee’s own knowledge of, and experience with the Tastea System, and not in reliance upon any statements or information made or provided, or alleged to have been made or provided, by Franchisor or its affiliates, or any of its or their officers, directors, agents, employees or representatives, except as set forth in the Franchise Disclosure Document.

AGREED: _____
Franchisee’s Initials

Franchisee understands that Franchisor is acting in reliance on the truthfulness and completeness of Franchisee’s responses to the questions above in entering into the Franchise Agreement with Franchisee.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS QUESTIONNAIRE SHALL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION, AND FRANCHISEE HEREBY WAIVES, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS QUESTIONNAIRE.

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

TASTEY FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I

FINANCIAL STATEMENTS

For Years Ending on March 31, 2022, March 31, 2023, and March 31, 2024
And unaudited financials as of June 30, 2024

UNAUDITED FINANCIALS

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.

PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM

Tastea Franchising, LLC

Balance Sheet

As of June 30, 2024

Cash Basis

	Jun 30, 24
ASSETS	
Current Assets	
Checking/Savings	
Bond	35,000.00
Bank of America 7307	232,107.55
Royalties Checking 4591	45,498.10
Total Checking/Savings	312,605.65
Total Current Assets	312,605.65
Fixed Assets	
Equipment	1,746.87
Accumulated Depreciation	-1,106.49
Total Fixed Assets	640.38
Other Assets	
Due from ST Tea, LLC	761,042.20
Due from Tastea LLC	193,250.00
Due from Tastea Holdings	5,000.00
Due from Tastea IP	1,500.00
Due from Tastea Management	1,885,181.58
Due from Vitalitea	55,000.00
Legal Fees	30,000.00
Accumulated Amortization	-30,000.00
Total Other Assets	2,900,973.78
TOTAL ASSETS	3,214,219.81
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	14,948.00
Other Current Liabilities	
Customer Deposits	64,500.00
Total Other Current Liabilities	64,500.00
Total Current Liabilities	79,448.00
Total Liabilities	79,448.00
Equity	
Capital	2,680,366.35
Distributions	-60,000.00
Retained Earnings	-12,269.15
Net Income	526,674.61
Total Equity	3,134,771.81
TOTAL LIABILITIES & EQUITY	3,214,219.81

Tastea Franchising, LLC
Profit & Loss
January through June 2024

Cash Basis

	<u>Jan - Jun 24</u>
Ordinary Income/Expense	
Income	
Franchise Income	821,007.57
Total Income	<u>821,007.57</u>
Gross Profit	821,007.57
Expense	
Bank Service Charges	264.25
Business Licenses and Permits	1,738.14
Depreciation Expense	174.72
Guaranteed Payments	150,000.00
Interest Expense	12.42
Marketing & Advertising	111,077.43
Outside Services	29,602.00
Tax	800.00
Total Expense	<u>293,668.96</u>
Net Ordinary Income	527,338.61
Other Income/Expense	
Other Expense	
Fines & Penalties	664.00
Total Other Expense	<u>664.00</u>
Net Other Income	<u>-664.00</u>
Net Income	<u><u>526,674.61</u></u>

TASTEА FRANCHISING, LLC

FINANCIAL STATEMENTS

As of and for the year ended March 31, 2024

with

INDEPENDENT AUDITOR'S REPORT THEREON

ANTHONY BOZANIC, CPA

28625 S. Western Avenue #61, Rancho Palos Verdes CA 90275 Phone (949) 463-3547

INDEPENDENT AUDITOR'S REPORT

To the Members
Tastea Franchising, LLC

Opinion

I have audited the accompanying financial statements of Tastea Franchising, LLC (the "Company") which comprise the balance sheet as of March 31, 2024 the related statement of income, changes in members' capital and cash flows for the year ended March 31, 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 Tastea Franchising, LLC as of March 31, 2024 and the results of its operations and its cash flows 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 (GAAS). 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 the Company 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 the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 misstatement, 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if 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 GAAS, I:

- 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 the Company'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Arthur Boyanin, CPA

Irvine, California
June 29, 2024

TASTEА FRANCHISING, LLC**BALANCE SHEET****ASSETS****March 31,
2024**

Current assets:

Cash and cash equivalents

\$ 273,575

Investment in surety bond

35,000

Accounts receivable

26,282

334,857

Property and equipment, net

728

Due from related parties

2,678,973\$ 3,014,558**LIABILITIES AND MEMBERS' CAPITAL**

Current liabilities:

Deferred revenues

\$ 64,500

Accounts payable and accrued expenses

-

Total current liabilities

64,500

Commitments and contingencies

Members' capital

2,950,058\$ 3,014,558

*The accompanying notes are an integral part
of this financial statement*

TASTE A FRANCHISING, LLC

STATEMENT OF INCOME

	<u>Year Ended March 31, 2024</u>
Net franchise revenue	\$ <u>1,588,178</u>
Operating Expenses	
Advertising and promotion	169,007
Bank service charges	2,024
Business Licenses	-
Depreciation	378
Dues and subscriptions	-
Salaries and wages	360,000
Outside services	79,075
Other operating expenses	<u>663</u>
Total operating expenses	<u>611,147</u>
Income before provision for income taxes	977,031
Provision for income taxes	<u>6,800</u>
Net income	\$ <u><u>970,231</u></u>

*The accompanying notes are an integral part
of this financial statement*

TASTE A FRANCHISING, LLC
STATEMENT OF CHANGES IN MEMBER'S CAPITAL
For The Year Ended March 31, 2024

Member's Capital, April 1, 2023	\$ 2,221,837
Net income	970,231
Member draws	<u>(242,010)</u>
Member's Capital, March 31, 2024	<u><u>\$ 2,950,058</u></u>

TASTEY FRANCHISING, LLC

STATEMENT OF CASH FLOWS

	<u>Year Ended March 31, 2024</u>
Cash flows from operating activities:	
Net income	\$ 970,231
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	378
Changes in operating assets and liabilities:	
Accounts receivable	(26,282)
Deferred revenues	(64,500)
Accounts payable and accrued liabilities	<u>(14,948)</u>
Net cash from operating activities	<u>864,879</u>
Cash flows used in investing activities:	
Increase in due from related parties	(592,990)
Purchases of property and equipment	<u>-</u>
Net cash from investing activities	<u>(592,990)</u>
Cash flows from financing activities:	
Draws paid to member	<u>(242,010)</u>
Net cash from financing activities	<u>(242,010)</u>
Net increase in cash and cash equivalents	29,879
Cash and cash equivalents, beginning of year	<u>243,696</u>
Cash and cash equivalents, end of year	\$ <u><u>273,575</u></u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Income taxes	\$ <u><u>6,800</u></u>

*The accompanying notes are an integral part
of these financial statements*

TASTEA FRANCHISING, LLC

NOTES TO BALANCE SHEET

March 31, 2024

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Tastea Franchising, LLC (the “Company”) was organized on September 9, 2013 and is located in Southern California and is engaged in selling franchises for the right to operate Tastea stores, which are specialty tea retailers which offer freshly brewed flavored iced teas, smoothies, slushies, shaved ice and other specialty beverages as well as hand battered popcorn chicken and french fries. The Company has sold 25 such franchises 23 of which are located in California as of the date of the accompanying balance sheet and they have taken an initial deposit on 1 potential franchise.

The Company is governed by its Limited Liability Company Agreement (the “Agreement”) effective September 9, 2013. The agreement includes a provision whereby members have no further obligation to contribute additional amounts of capital to the Company subsequent to the initial capital contribution. In addition, the liability of the members of the Company is limited to the members’ total capital contributions.

Concentration of Credit Risk

Cash balances are maintained at major financial institutions, the balance of which may, at times, exceed federally insured limits. Management believes that the risk of loss is minimal.

Investments in Surety Bond

Investment in surety bond of \$35,000 consists of funds held in a surety bond on behalf of the Company. The bond’s purpose is to protect the state of California and helps guarantee that the Company will follow applicable rules and regulation in its operations.

Accounts Receivable

The Company carries its accounts receivable at invoiced amounts less an allowance for doubtful accounts. The net balance at March 31, 2024 was \$26,282. On a periodic basis, the Company evaluates the accounts receivable and establishes an allowance based on a history of past write-offs and collections as well as current credit conditions. The Company evaluates the credit worthiness of its customers and establishes a reserve for collectability. Prior year, at March 31, 2023 accounts receivable was \$0, net of allowance for doubtful accounts of \$0. As of March 31, 2024 the Company did not record an allowance for doubtful accounts. The Company does not require collateral in relation to these receivables.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Recently Adopted Accounting Standard

In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses*, and established Accounting Standards Codification (“ASC”) 326. ASC 326 significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Company adopted the standard effective April 1, 2023 using the modified retrospective method. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Revenue Recognition

Revenues from initial franchising and licensing fees under domestic franchise agreements are recognized when all material services or conditions relating to the franchising or licensing agreement have been substantially performed or satisfied and collectability of the initial franchise fee is reasonably assured, by applying the following five step approach: (1) identify the contract with the customer: (2) identify the performance obligations in the contract: (3) determine the transaction price: (4) allocate the transaction price to the performance obligations in the contract: and (5) recognize revenue when or as a performance obligation is satisfied.

Property and Equipment

Property and equipment are stated at cost. When property and equipment are sold or retired, the cost and related accumulated depreciation are eliminated from the respective accounts and any gain or loss is credited or charged to income. Maintenance and repairs are charged to expense when incurred; expenditures for renewals or betterments are capitalized.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets or, for leasehold improvements, over the term of the related lease, if shorter. The following are the estimated useful lives:

Machinery and equipment	5 years
Automobiles and trucks	5 years
Furniture and fixtures	5 - 7 years
Computer equipment	5 years
Leasehold improvements	Shorter of estimated life or term of the lease

Long-Lived Assets

Management of the Company assesses the recoverability of property and equipment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate, by determining whether the depreciation and amortization of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured based on fair value and is charged to operations in the period in which such impairment is determined by management. To date, management has not identified any impairment of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products will continue, which could result in impairment of long-lived assets in the future.

Deferred Revenues

Deferred revenues represent initial franchise and licensing fees from customers under franchise agreements. These deposits were received from three potential franchisees. Such fees and revenues will be earned in subsequent periods in accordance with the Company's revenue recognition policy are not recognized as revenue and are recorded as deferred revenue on the accompanying balance sheet.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes. Consequently, income taxes are not payable by, or provided for the Company. Members are taxed individually on their share of Company earnings. Since the members are liable for individual federal and state income taxes on the Company's taxable income, the Company may disburse funds necessary to satisfy the members' estimated personal income tax liabilities. California imposes a LLC fee based on income. This fee of \$6,800 is presented in the financial statements as the provision for income tax.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of March 31, 2024 the Company had no unrecognized tax benefits, and the Company had no positions which, in the opinion of management, would be reversed if challenged by a taxing authority.

The Company's evaluation of tax positions was performed for those tax years which remain open to audit. The Company may from time to time, be assessed interest or penalties by the taxing authorities, although any such assessments historically have been minimal and immaterial to the Company's financial results. In the event the Company is assessed for interest and/or penalties, such amounts will be classified as income tax expense in the financial statements.

NOTE 2 – SUBSEQUENT EVENTS

We have evaluated subsequent events and transactions for potential recognition or disclosure in the balance sheet through June 29, 2024, the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2024 consist of:

Equipment	\$ 1,747
Less accumulated depreciation	(1,019)
	<u>\$ 728</u>

Depreciation expense on property and equipment was \$378 during the year ended March 31, 2024.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company is affiliated with ST Tea, LLC through common ownership. ST Tea, LLC provides advertising and promotion as well as supplies and equipment to the franchisees. As of March 31, 2024 the Company has an amount due from ST Tea, LLC of \$706,042 for cash advances that the Company provided to ST Tea, LLC. This amount is included as an amount due from related party on the accompanying balance sheet.

The Company had \$169,007 of advertising and promotion expense paid to ST Tea, LLC during the year ended March 31, 2024.

The Company also advanced monies during the year to a partnerships and to limited liability companies with ownership that included members of the Company. As of March 31, 2024, the Company has a long-term non-interest-bearing receivable of \$1,972,931 from these related entities. This amount is included in due from related parties on the accompanying balance sheet.

The Company had expenses of \$60,224 for outside services for accounting services during the year ended March 31, 2024 to a company owned by a member of the Company.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Indemnities and Guarantees

The Company has made certain indemnities and guarantees, under which it may be required to make payments to guaranteed or indemnified parties, in relation to certain transactions. The Company indemnifies its directors, officers, employees and agents to the maximum extent permitted under the laws of the State of California. In connection with its facility leases, the Company has indemnified its lessors for certain claims arising from the use of the facilities. The duration of the guarantees and indemnities varies, and in many cases is indefinite. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated to make any payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying balance sheet.

TASTEА FRANCHISING, LLC

FINANCIAL STATEMENTS

As of and for the year ended March 31, 2023

with

INDEPENDENT AUDITOR'S REPORT THEREON

ANTHONY BOZANIC, CPA

28625 S. Western Avenue #61, Rancho Palos Verdes CA 90275 Phone (949) 463-3547

INDEPENDENT AUDITOR'S REPORT

To the Members
Tastea Franchising, LLC

Opinion

I have audited the accompanying financial statements of Tastea Franchising, LLC (the "Company") which comprise the balance sheet as of March 31, 2023 the related statement of income, changes in members' capital and cash flows for the year ended March 31, 2023 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 Tastea Franchising, LLC as of March 31, 2023 and the results of its operations and its cash flows 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 (GAAS). 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 the Company 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 the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 misstatement, 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if 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 GAAS, I:

- 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 the Company'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Handwritten signature in blue ink that reads "AS Boyan, CPA".

Irvine, California
June 23, 2023

TASTEY FRANCHISING, LLC

BALANCE SHEET

ASSETS

March 31,
2023

Current assets:

Cash and cash equivalents

\$ 243,696

Investment in surety bond

35,000

Accounts receivable

-
278,696

Property and equipment, net

1,106

Due from related parties

2,085,983\$ 2,365,785

LIABILITIES AND MEMBERS' CAPITAL

Current liabilities:

Deferred revenues

\$ 129,000

Accounts payable and accrued expenses

14,948

Total current liabilities

143,948

Commitments and contingencies

Members' capital

2,221,837\$ 2,365,785

*The accompanying notes are an integral part
of this financial statement*

TASTEA FRANCHISING, LLC
STATEMENT OF INCOME

	Year Ended March 31, 2023
Net franchise revenue	\$ <u>1,334,977</u>
Operating Expenses	
Advertising and promotion	194,146
Bank service charges	671
Business Licenses	1,405
Depreciation	407
Dues and subscriptions	318
Salaries and wages	240,000
Outside services	78,078
Other operating expenses	<u>353</u>
Total operating expenses	<u>515,378</u>
Other expenses	
Royalty fees	<u>49,284</u>
Income before provision for income taxes	770,315
Provision for income taxes	<u>6,800</u>
Net income	\$ <u><u>763,515</u></u>

*The accompanying notes are an integral part
of this financial statement*

TASTE A FRANCHISING, LLC

STATEMENT OF CHANGES IN MEMBER'S CAPITAL

For The Year Ended March 31, 2023

Member's Capital, April 1, 2022	\$ 1,560,123
Net income	763,515
Member draws	<u>(101,801)</u>
Member's Capital, March 31, 2023	<u>\$ 2,221,837</u>

The accompanying notes are an integral part
of this financial statement

TASTEA FRANCHISING, LLC

STATEMENT OF CASH FLOWS

	Year Ended March 31, 2023
Cash flows from operating activities:	
Net income	\$ 763,515
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	407
Changes in operating assets and liabilities:	
Accounts receivable	-
Deferred revenues	(129,000)
Accounts payable and accrued liabilities	(698)
Net cash from operating activities	<u>634,224</u>
Cash flows used in investing activities:	
Increase in due from related parties	(646,953)
Purchases of property and equipment	<u>(1,513)</u>
Net cash from investing activities	<u>(648,466)</u>
Cash flows from financing activities:	
Draws paid to member	<u>(101,801)</u>
Net cash from financing activities	<u>(101,801)</u>
Net decrease in cash and cash equivalents	(116,043)
Cash and cash equivalents, beginning of year	<u>359,739</u>
Cash and cash equivalents, end of year	<u>\$ 243,696</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Income taxes	<u>\$ 6,800</u>

*The accompanying notes are an integral part
of these financial statements*

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Tastea Franchising, LLC (the “Company”) was organized on September 9, 2013 and is located in Southern California and is engaged in selling franchises for the right to operate Tastea stores, which are specialty tea retailers which offer freshly brewed flavored iced teas, smoothies, slushies, shaved ice and other specialty beverages as well as hand battered popcorn chicken and french fries. The Company has sold 21 such franchises 20 of which are located in California as of the date of the accompanying balance sheet and they have taken an initial deposit on 4 potential franchises.

The Company is governed by its Limited Liability Company Agreement (the “Agreement”) effective September 9, 2013. The agreement includes a provision whereby members have no further obligation to contribute additional amounts of capital to the Company subsequent to the initial capital contribution. In addition, the liability of the members of the Company is limited to the members’ total capital contributions.

Concentration of Credit Risk

Cash balances are maintained at major financial institutions, the balance of which may, at times, exceed federally insured limits. Management believes that the risk of loss is minimal.

Investments in Surety Bond

Investment in surety bond of \$35,000 consists of funds held in a surety bond on behalf of the Company. The bond’s purpose is to protect the state of California and helps guarantee that the Company will follow applicable rules and regulation in its operations.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**Revenue Recognition**

Revenues from initial franchising and licensing fees under domestic franchise agreements are recognized when all material services or conditions relating to the franchising or licensing agreement have been substantially performed or satisfied and collectability of the initial franchise fee is reasonably assured, by applying the following five step approach: (1) identify the contract with the customer: (2) identify the performance obligations in the contract: (3) determine the transaction price: (4) allocate the transaction price to the performance obligations in the contract: and (5) recognize revenue when or as a performance obligation is satisfied.

Property and Equipment

Property and equipment are stated at cost. When property and equipment are sold or retired, the cost and related accumulated depreciation are eliminated from the respective accounts and any gain or loss is credited or charged to income. Maintenance and repairs are charged to expense when incurred; expenditures for renewals or betterments are capitalized.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets or, for leasehold improvements, over the term of the related lease, if shorter. The following are the estimated useful lives:

Machinery and equipment	5 years
Automobiles and trucks	5 years
Furniture and fixtures	5 - 7 years
Computer equipment	5 years
Leasehold improvements	Shorter of estimated life or term of the lease

Long-Lived Assets

Management of the Company assesses the recoverability of property and equipment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate, by determining whether the depreciation and amortization of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured based on fair value and is charged to operations in the period in which such impairment is determined by management. To date, management has not identified any impairment of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products will continue, which could result in impairment of long-lived assets in the future.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**Deferred Revenues**

Deferred revenues represent initial franchise and licensing fees from customers under franchise agreements. These deposits were received from three potential franchisees. Such fees and revenues will be earned in subsequent periods in accordance with the Company's revenue recognition policy and are not recognized as revenue and are recorded as deferred revenue on the accompanying balance sheet.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes. Consequently, income taxes are not payable by, or provided for the Company. Members are taxed individually on their share of Company earnings. Since the members are liable for individual federal and state income taxes on the Company's taxable income, the Company may disburse funds necessary to satisfy the members' estimated personal income tax liabilities. California imposes a LLC fee based on income. This fee of \$6,800 is presented in the financial statements as the provision for income tax.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of March 31, 2023 the Company had no unrecognized tax benefits, and the Company had no positions which, in the opinion of management, would be reversed if challenged by a taxing authority.

The Company's evaluation of tax positions was performed for those tax years which remain open to audit. The Company may from time to time, be assessed interest or penalties by the taxing authorities, although any such assessments historically have been minimal and immaterial to the Company's financial results. In the event the Company is assessed for interest and/or penalties, such amounts will be classified as income tax expense in the financial statements.

NOTE 2 – SUBSEQUENT EVENTS

We have evaluated subsequent events and transactions for potential recognition or disclosure in the balance sheet through June 23, 2023, the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2023 consist of:

Equipment	\$ 1,747
Less accumulated depreciation	(641)
	<u>\$ 1,106</u>

Depreciation expense on property and equipment was \$407 during the year ended March 31, 2023.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company is affiliated with ST Tea, LLC through common ownership. ST Tea, LLC provides advertising and promotion as well as supplies and equipment to the franchisees. As of March 31, 2023 the Company has an amount due from ST Tea, LLC of \$364,733 for cash advances that the Company provided to ST Tea, LLC. This amount is included as an amount due from related party on the accompanying balance sheet.

The Company had \$194,146 of advertising and promotion expense paid to ST Tea, LLC during the year ended March 31, 2023.

The Company also advanced monies during the year to a partnerships and to limited liability companies with ownership that included members of the Company. As of March 31, 2023, the Company has a long term non-interest bearing receivable of \$1,721,250 from these related entities. This amount is included in due from related parties on the accompanying balance sheet.

The Company had expenses of \$43,768 for outside services for accounting services during the year ended March 31, 2023 to a company owned by a member of the Company.

The Company had \$49,284 of royalties expenses during the year ended March 31, 2023 to a member of the Company.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Indemnities and Guarantees

The Company has made certain indemnities and guarantees, under which it may be required to make payments to guaranteed or indemnified parties, in relation to certain transactions. The Company indemnifies its directors, officers, employees and agents to the maximum extent permitted under the laws of the State of California. In connection with its facility leases, the Company has indemnified its lessors for certain claims arising from the use of the facilities. The duration of the guarantees and indemnities varies, and in many cases is indefinite. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated to make any payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying balance sheet.

NOTE 6 – RISKS AND UNCERTAINTIES

During March 2020, The World Health Organization declared the spread of the Coronavirus disease (COVID-19) a world pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. It is expected that COVID-19 could potentially impact the Company's fiscal 2024 operations resulting in a decline in revenues.

Management believes the Company is taking appropriate actions to mitigate the negative financial impact. However, the full financial impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred just before and subsequent to the year-end and are still developing.

TASTEA FRANCHISING, LLC

FINANCIAL STATEMENTS

As of and for the year ended March 31, 2022

with

INDEPENDENT AUDITOR'S REPORT THEREON

ANTHONY BOZANIC, CPA

2222 Michelson Drive, Suite 222-288 Irvine CA 92612 Phone (949) -463-3547

INDEPENDENT AUDITOR'S REPORT

To the Members
Tastea Franchising, LLC

Opinion

I have audited the accompanying financial statements of Tastea Franchising, LLC (the "Company") which comprise the balance sheet as of March 31, 2022 the related statement of income, changes in members' capital and cash flows for the year ended March 31, 2022 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 Tastea Franchising, LLC as of March 31, 2022 and the results of its operations and its cash flows 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 (GAAS). 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 the Company 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 the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 misstatement, 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if 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 GAAS, I:

- 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 the Company'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

A handwritten signature in blue ink, appearing to read "W. Bozic, CPA".

Irvine, California
July 18, 2022

TASTEА FRANCHISING, LLC**BALANCE SHEET****ASSETS****March 31,
2022**

Current assets:

Cash and cash equivalents

\$ 359,739

Investment in surety bond

35,000

Accounts receivable

-

394,739

Due from related parties

1,439,030\$ 1,833,769**LIABILITIES AND MEMBERS' CAPITAL**

Current liabilities:

Deferred revenues

\$ 258,000

Accounts payable and accrued expenses

15,646

Total current liabilities

273,646

Commitments and contingencies

Members' capital

1,560,123\$ 1,833,769

*The accompanying notes are an integral part
of this financial statement*

TASTEY FRANCHISING, LLC

STATEMENT OF INCOME

	<u>Year Ended March 31, 2022</u>
Net franchise revenue	<u>\$ 1,281,955</u>
Operating Expenses	
Advertising and promotion	183,423
Automobile expenses	914
Bank service charges	1,487
Business Licenses	1,230
Computer	67
Depreciation	1,747
Dues and subscriptions	689
Office supplies	5,186
Outside services	82,343
Postage	1,483
Salaries and wages	438,000
Supplies	127
Travel	8,173
Other operating expenses	<u>4,897</u>
Total operating expenses	<u>729,766</u>
Other expenses	
Royalty fees	<u>39,779</u>
Income before provision for income taxes	512,410
Provision for income taxes	<u>10,300</u>
Net income	<u><u>\$ 502,110</u></u>

*The accompanying notes are an integral part
of this financial statement*

TASTE A FRANCHISING, LLC
STATEMENT OF CHANGES IN MEMBER'S CAPITAL
For The Year Ended March 31, 2022

Member's Capital, April 1, 2021	\$ 1,105,898
Net income	502,110
Member draws	<u>(47,885)</u>
Member's Capital, March 31, 2022	<u>\$ 1,560,123</u>

TASTEIA FRANCHISING, LLC**STATEMENT OF CASH FLOWS**

	<u>Year Ended March 31, 2022</u>
Cash flows from operating activities:	
Net income	\$ 502,110
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,747
Changes in operating assets and liabilities:	
Accounts receivable	34,630
Deferred revenues	178,000
Accounts payable and accrued liabilities	<u>15,110</u>
Net cash from operating activities	<u>731,597</u>
Cash flows used in investing activities:	
Increase in due from related parties	(651,000)
Purchases of property and equipment	<u>(1,747)</u>
Net cash from investing activities	<u>(652,747)</u>
Cash flows from financing activities:	
Draws paid to member	<u>(47,885)</u>
Net cash from financing activities	<u>(47,885)</u>
Net increase in cash and cash equivalents	30,965
Cash and cash equivalents, beginning of year	<u>328,774</u>
Cash and cash equivalents, end of year	<u>\$ 359,739</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Income taxes	<u>\$ 10,300</u>

*The accompanying notes are an integral part
of these financial statements*

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Tastea Franchising, LLC (the "Company") was organized on September 9, 2013 and is located in Southern California and is engaged in selling franchises for the right to operate Tastea stores, which are specialty tea retailers which offer freshly brewed flavored iced teas, smoothies, slushies, shaved ice and other specialty beverages as well as hand battered popcorn chicken and french fries. The Company has sold 19 such franchises 18 of which are located in California as of the date of the accompanying balance sheet and they have taken an initial deposit on 4 potential franchises.

The Company is governed by its Limited Liability Company Agreement (the "Agreement") effective September 9, 2013. The agreement includes a provision whereby members have no further obligation to contribute additional amounts of capital to the Company subsequent to the initial capital contribution. In addition, the liability of the members of the Company is limited to the members' total capital contributions.

Concentration of Credit Risk

Cash balances are maintained at major financial institutions, the balance of which may, at times, exceed federally insured limits. Management believes that the risk of loss is minimal.

Investments in Surety Bond

Investment in surety bond of \$35,000 consists of funds held in a surety bond on behalf of the Company. The bond's purpose is to protect the state of California and helps guarantee that the Company will follow applicable rules and regulation in its operations.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**Revenue Recognition**

Revenues from initial franchising and licensing fees under domestic franchise agreements are recognized when all material services or conditions relating to the franchising or licensing agreement have been substantially performed or satisfied and collectability of the initial franchise fee is reasonably assured, by applying the following five step approach: (1) identify the contract with the customer: (2) identify the performance obligations in the contract: (3) determine the transaction price: (4) allocate the transaction price to the performance obligations in the contract: and (5) recognize revenue when or as a performance obligation is satisfied.

Property and Equipment

Property and equipment are stated at cost. When property and equipment are sold or retired, the cost and related accumulated depreciation are eliminated from the respective accounts and any gain or loss is credited or charged to income. Maintenance and repairs are charged to expense when incurred; expenditures for renewals or betterments are capitalized.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets or, for leasehold improvements, over the term of the related lease, if shorter. The following are the estimated useful lives:

Machinery and equipment	5 years
Automobiles and trucks	5 years
Furniture and fixtures	5 - 7 years
Computer equipment	5 years
Leasehold improvements	Shorter of estimated life or term of the lease

Long-Lived Assets

Management of the Company assesses the recoverability of property and equipment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate, by determining whether the depreciation and amortization of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured based on fair value and is charged to operations in the period in which such impairment is determined by management. To date, management has not identified any impairment of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products will continue, which could result in impairment of long-lived assets in the future.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**Deferred Revenues**

Deferred revenues represent initial franchise and licensing fees from customers under franchise agreements. These deposits were received from three potential franchisees. Such fees and revenues will be earned in subsequent periods in accordance with the Company's revenue recognition policy are not recognized as revenue and are recorded as deferred revenue on the accompanying balance sheet.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes. Consequently, income taxes are not payable by, or provided for the Company. Members are taxed individually on their share of Company earnings. Since the members are liable for individual federal and state income taxes on the Company's taxable income, the Company may disburse funds necessary to satisfy the members' estimated personal income tax liabilities. California imposes a LLC fee based on income. This fee of \$10,300 is presented in the financial statements as the provision for income tax.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of March 31, 2022 the Company had no unrecognized tax benefits, and the Company had no positions which, in the opinion of management, would be reversed if challenged by a taxing authority.

The Company's evaluation of tax positions was performed for those tax years which remain open to audit. The Company may from time to time, be assessed interest or penalties by the taxing authorities, although any such assessments historically have been minimal and immaterial to the Company's financial results. In the event the Company is assessed for interest and/or penalties, such amounts will be classified as income tax expense in the financial statements.

NOTE 2 – SUBSEQUENT EVENTS

We have evaluated subsequent events and transactions for potential recognition or disclosure in the balance sheet through July 18, 2022, the date the financial statements were available to be issued.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company is affiliated with ST Tea, LLC through common ownership. ST Tea, LLC provides advertising and promotion as well as supplies and equipment to the franchisees. As of March 31, 2022 the Company has an amount due from ST Tea, LLC of \$288,030 for cash advances that the Company provided to ST Tea, LLC. This amount is included as an amount due from related party on the accompanying balance sheet.

The Company had \$183,423 of advertising and promotion expense paid to ST Tea, LLC during the year ended March 31, 2022.

The Company also advanced monies during the year to a partnerships and to limited liability companies with ownership that included members of the Company. As of March 31, 2021, the Company has a long term non-interest bearing receivable of \$1,151,000 from these related entities. This amount is included in due from related parties on the accompanying balance sheet.

The Company had expenses of \$63,352 for outside services for accounting services during the year ended March 31, 2022 to a company owned by a member of the Company.

The Company had \$39,779 of royalties expenses during the year ended March 31, 2022 to a member of the Company.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Indemnities and Guarantees

The Company has made certain indemnities and guarantees, under which it may be required to make payments to guaranteed or indemnified parties, in relation to certain transactions. The Company indemnifies its directors, officers, employees and agents to the maximum extent permitted under the laws of the State of California. In connection with its facility leases, the Company has indemnified its lessors for certain claims arising from the use of the facilities. The duration of the guarantees and indemnities varies, and in many cases is indefinite. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated to make any payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying balance sheet.

NOTE 5 – RISKS AND UNCERTAINTIES

During March 2020, The World Health Organization declared the spread of the Coronavirus disease (COVID-19) a world pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. It is expected that COVID-19 could potentially impact the Company's fiscal 2023 operations resulting in a decline in revenues.

Management believes the Company is taking appropriate actions to mitigate the negative financial impact. However, the full financial impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred just before and subsequent to the year-end and are still developing.

TASTEY FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT J
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

TASTEIA FRANCHISING, LLC
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677	California Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505(866) 275-2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2722	Commissioner of Securities, Department of of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Indiana Secretary of State Securities Division, E-111 302 West Washington Street, Room E- 111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner at the Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Consumer Protection Division, Antitrust and Franchising Unit Michigan Department of Attorney General 670 G. Mennen Williams Building 525 West Ottawa Lansing, Michigan 48933 (517) 373-7177	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-4026	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-4026
NEW YORK	New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway New York, New York 10271-0332 (212) 416-8000	Secretary of the State of New York 41 State Street Albany, New York 12231 (518) 474-4750

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NORTH DAKOTA	Office of the Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, North Dakota 58505 (701) 328-2910	Office of the Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, North Dakota 58505 (701) 328-2910
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Director, Securities Division State of Rhode Island Department of Business Regulation in the Service of Process, Disclosure Document and State Administrators Sections Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, RI 02920 (401) 462 9582	Securities Division Department of Business Regulation, Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, RI 02920 (401) 462 9582
SOUTH DAKOTA	Division of Securities 118 West Capitol Pierre, South Dakota 57501 (605) 773-4013	Division of Securities 118 West Capitol Pierre, South Dakota 57501 (605) 773-4013
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Ninth Floor 1300 East Main Street Richmond, Virginia 23219 (804) 371-9672	Clerk, State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9672
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501
WISCONSIN	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue Suite 300 Madison, Wisconsin 53703	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue Suite 300 Madison, Wisconsin 53703

TASTEA FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT K
TABLE OF CONTENTS OF OPERATIONS MANUAL

TASTEA FRANCHISING, LLC

TABLE OF CONTENTS OF OPERATIONS MANUAL

SECTION	1	Introduction	8	Pages
	1.1	Our Story		
	1.2	Mission and Vision		
	1.3	The Business You Are In		
	1.4	Premium Ingredients		
	1.5	Made to Order		
	1.6	Pro-Employees		
	1.7	High Quality Standards		
	1.8	Market Leading Training Program and Pre-Opening Support		
	1.9	The Franchisee/Franchisor Relationship		
	1.10	Franchisor Responsibilities		
	1.11	Franchisee Responsibilities		
	1.12	How to Use This Manual		
SECTION	2	Tea Bar Setup	35	Pages
	2.1	Location Selection		
	2.2	Establishing a Business Entity		
	2.3	Key Issues in Negotiating a Lease		
	2.4	Startup Expenses and Required Capital Reserves		
	2.5	Insurance Requirements		
	2.6	Design and Décor		
	2.7	Lighting and Signage		
	2.8	Store Office		
	2.9	Tenant Improvement Plans and Submittal		
	2.10	Construction		
	2.11	Furniture, Fixtures and Tea Bar Equipment		
	2.12	POS System		
	2.13	Computer and Related Equipment, TV, Audio, Video and Software		
	2.14	Security System		
	2.15	Music Streaming Service		

- 2.16 Banking
- 2.17 Accounting System Setup
- 2.18 Initial Inventory Purchase
- 2.19 Pre-Opening Inspections, Permits. and Licenses Requirements
- 2.20 Pre-Opening Hiring
- 2.21 Training and Support
- 2.22 Pre-Opening Checklist and Inspections

SECTION	3	Operations Standards	54	Pages
	3.1	Team Members and Customer Safety		
	3.2	Work Stations Operations and Procedures		
	3.3	Drinks and Food Prep and Procedures		
	3.4	Store Opening and Closing Procedures		
	3.5	Credit and Debit Cards Processing		
	3.6	Cash Handling		
	3.7	POS System and Computer Requirements		
	3.8	Customer Online Ordering		
	3.9	Inventory Ordering and Management		
	3.10	Loss Prevention		
	3.11	Crisis Management		
	3.12	Approved Services and Products		
	3.13	Menu and Pricing		
	3.14	Hours of Operations		
SECTION	4	Customer Service Standards	3	Pages
	4.1	Customer Service and Treatment		
	4.2	Customer Complaints		
	4.3	Guarantee Policy		
SECTION	5	Food Safety and Quality Standards	14	Pages
	5.1	Receiving Food		
	5.2	Food Storage		
	5.3	Ingredients		
	5.4	Recipes		

- 5.5 Handwashing and Personal Hygiene
- 5.6 Health Regulations and Sanitation Standards
- 5.7 Food Borne Illness

SECTION	6	Facilities and Equipment Standards	21	Pages
	6.1	Specifications and Standards		
	6.2	Lobby Requirements		
	6.3	Work Stations Requirements		
	6.4	Cook Station Requirements		
	6.5	Storage Requirements		
	6.6	General Cleaning Requirements		
	6.7	Chemicals		
	6.8	General Maintenance Requirements		
	6.9	Music		
	6.10	Lighting and Signage		
	6.11	Pest Control		
SECTION	7	Advertising and Marketing	8	Pages
	7.1	Soft Opening and Grand Opening Advertising		
	7.2	Third Party Advertising and Marketing Campaigns		
	7.3	Anniversary Events		
	7.4	Limited Time Offers		
	7.5	Event Hosting and Charities		
	7.6	Contest and Giveaways		
	7.7	Tastea Rewards		
SECTION	8	Accounting Standards and Financial Management	15	Pages
	8.1	Basic Accounting and Best Practices		
	8.2	Financial Statements Standards		
	8.3	Key Performance Indicators and Profitability		
SECTION	9	Employees and Training Standards	20	Pages
	9.1	Interviewing and Hiring		
	9.2	Confidentiality		

- 9.3 Training, Resources and Procedures
- 9.4 Managing Labor and Scheduling
- 9.5 Uniform and Appearance Standards
- 9.6 Scheduling and Payroll
- 9.7 Employee Communications
- 9.8 Write ups and Disciplinary Actions
- 9.9 Federal and State Labor Law Posters
- 9.10 OSHA Requirements
- 9.11 Human Resources

SECTION	10	Licenses, Permits and Certification Requirements	4	Pages
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- 10.1 Building Permit and Final Inspection
- 10.2 Business License
- 10.3 Health Permit and Final Inspection
- 10.4 Seller's Permit
- 10.5 Certificate of Occupancy
- 10.6 Fire Final Inspection
- 10.7 Serv Safe Management

SECTION	11	Vendors and Programs	5	Pages
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- 10.1 Proprietary Tastea Products Suppliers
- 10.2 POS System
- 10.3 Online Ordering
- 10.4 Rewards Program
- 10.5 Training Resources
- 10.6 Employee Scheduling
- 10.7 Payroll and HR Management
- 10.8 Cleaning Services
- 10.9 Music Streaming Service
- 10.10 Case Submission and Management

SECTION	12	Enforcement of Requirements, Standards and Compliance	10	Pages
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- 11.1 Requirement and Standards Checklist
- 11.2 Store Review and Evaluations

11.3 Action Cards and Enforcement of Requirements and Standards

TOTAL PAGES	197 Pages
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TASTEY FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT L
LIST OF FRANCHISEES

FRANCHISEES WITH OPENED OUTLETS AS OF FISCAL YEAR END MARCH 31, 2024

OUTLET	COUNTY	STATE	ADDRESS	FRANCHISEE	PHONE
TASTEA GLENDALE, AZ	Maricopa County	AZ	9184 W Northern Ave #105, Glendale, AZ 85305	Dean Le, David Kieu	(623) 349-7775
TASTEA ALHAMBRA	Los Angeles County	CA	349 E Main St #104, Alhambra, CA 91801	Joaquin Cervantes, Jose Cervantes	(626) 289-8886
TASTEA ARCADIA	Los Angeles County	CA	304 E Huntington Dr, Arcadia, CA 91006	Joaquin Cervantes	(626) 538-4108
TASTEA ARTESIA	Los Angeles County	CA	18174 Pioneer Blvd, Artesia, CA 90701	Kevin Nguyen, Khuyen Nguyen	(562) 403-7000
TASTEA LBX	Los Angeles County	CA	3860 Worsham Ave #325, Long Beach, CA 90808	Joseph Le	(562) 420-8327
TASTEA FOUNTAIN VALLEY	Orange County	CA	17150 Brookhurst St Suite #C, Fountain Valley, CA 92708	Yunh Ly	(714) 377-7070
TASTEA GG - HARBOR	Orange County	CA	12913 Harbor Blvd Suite Q-1, Garden Grove, CA 92840	Paul Pham, Hoang Ngo, Virginia Vo	(657) 200-2049
TASTEA GOLDENWEST	Orange County	CA	15070 Goldenwest St, Westminster, CA 92683	Kevin Nguyen, Khuyen Nguyen	(714) 799-0093
TASTEA IRVINE	Orange County	CA	3972 Barranca Pkwy K, Irvine, CA 92606	Eric Quan, Karen Quan, Jon Quan	(949) 396-6283
TASTEA SANTA ANA	Orange County	CA	710 S Harbor Blvd, Santa Ana, CA 92704	Ben Chu	(657) 346-2020
TASTEA BUENA PARK	Orange County	CA	5300 Beach Blvd #111, Buena Park, CA 90621	Kevin Nguyen, Khuyen Nguyen	(657) 255-4222

OUTLET	COUNTY	STATE	ADDRESS	FRANCHISEE	PHONE
TASTEA DELTA SHORES	Sacramento County	CA	8128 Delta Shores Cir S Suite 100, Sacramento, CA 95832	Trang Do, Walton Tran, Quang Do	(916) 629-9324
TASTEA SACRAMENTO	Sacramento County	CA	7235 Franklin Boulevard, Suite 6A Sacramento, CA 95823	Trang Do, Walton Tran, Quang Do	(916) 619-8949
TASTEA CHINO HILLS	San Bernadino County	CA	4711 Chino Hills Pkwy Suite D, Chino Hills, CA 91709	Rachel Go-Bulsuan, Freddie Bulsuan	(909) 393-8998
TASTEA RIVERSIDE	San Bernadino County	CA	11130 Magnolia Ave Unit C, Riverside, CA 92505	Rachel Go-Bulsuan, Freddie Bulsuan	(951) 588-8138
TASTEA MIRA MESA	San Diego County	CA	10756 Westview Pkwy, San Diego, CA 92126	Rachel Go-Bulsuan, Freddie Bulsuan	(858) 635-5888
TASTEA TEMECULA	San Diego County	CA	32065 Temecula Pkwy Suite C, Temecula, CA 92592	Hong Chu	(714) 305-7274
TASTEA NEWARK	Santa Clara County	CA	5970 Mowry Avenue Suite N Newark, CA	Corey Pham, Alexander San	(510) 565-1107
TASTEA SAN JOSE-BERRYESSA	Santa Clara County	CA	1160 N Capitol Ave, San Jose, CA 95132	Thuyen Nguyen, Nhanh Nguyen, Randy Luu, Quang Do	(408) 503-6347
TASTEA SAN JOSE-COMMUNICATIONS HILL	Santa Clara County	CA	509 W Capitol Expy, San Jose, CA 95136	Nhan Nguyen, Trung Nguyen	(408) 622-4615
TASTEA SAN JOSE-EVERGREEN	Santa Clara County	CA	3247 S White Rd, San Jose, CA 95148	Thuyen Nguyen, Nhanh Nguyen, Randy Luu, Quang Do	(408) 503-6364

OUTLET	COUNTY	STATE	ADDRESS	FRANCHISEE	PHONE
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TASTEА SILVER LAKE	Los Angeles County	CA	2921 W Sunset Blvd, Los Angeles, CA 90026	Joseph Le	(562) 420-8327
TASTEА SAN JOSE VIETNAM TOWN (EXPRESS)	Santa Clara County	CA	979 Story Rd Suite 7075, San Jose, CA 95124	Elizabeth Nguyen	(408) 409-0819
TASTEА ARTESIA SOUTH	Los Angeles County	CA	11660 South St Suite 104, Artesia, CA 90701	Kevin Nguyen, Khuyen Nguyen	(562) 403-7000
TASTEА MESA	Maricopa County	AZ	111 S. Dobson Rd Suite 108, Mesa AZ 85202	Dean Le	(602) 880-1139

**FRANCHISEES WITH FRANCHISE AGREEMENTS BUT OUTLETS NOT OPENED AS OF
FISCAL YEAR END MARCH 31, 2024**

OUTLET	COUNTY	STATE	ADDRESS	FRANCHISEE	PHONE
TASTEA HOUSTON	Harris County	TX	Undetermined	Tony Nguyen	(714) 585-0244

FORMER FRANCHISEES

The following are franchisees who have been terminated, canceled, not renewed, or have otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of issuance of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

TASTEY FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT M
STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	PENDING

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.

TASTEY FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT N
RECEIPTS

TASTEA FRANCHISING, LLC FRANCHISOR RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Tastea Franchising, LLC offers you a franchise, Tastea Franchising, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan, New York and Rhode Island require that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Tastea Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency Identified on Exhibit J.

The franchisor is Tastea Franchising, LLC, located at 11612 Knott Street #G5, Garden Grove, California, 92841; Telephone (714) 894-0285.

Issuance Date: June 29, 2024

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Theodore Vu, Scott Nguyen and Nhan Vuong; 11612 Knott Street #G5, Garden Grove, California, 92841; Telephone (714) 894-0285.

We authorize the persons and/or entities listed on Exhibit K to receive service of process for us.

I have received a Disclosure Document dated _____, 20____. This Disclosure Document includes the following Exhibits:

- Exhibit A: Franchise Agreement and Exhibits
- Exhibit B: Asset Purchase Agreement
- Exhibit C: Option to Obtain Lease Assignment
- Exhibit D: Confidentiality Agreement for Franchisee Candidate
- Exhibit E: Confidentiality Agreement for Employees of Franchisee
- Exhibit F: General Release Agreement
- Exhibit G: State Specific Addenda
- Exhibit H: Closing Questionnaire
- Exhibit I: Financial Statements
- Exhibit J: State Administrators and Agents for Service of Process
- Exhibit K: Table of Contents of Operations Manual
- Exhibit L: List of Franchisees
- Exhibit M: State Effective Dates
- Exhibit N: Receipts

Date

Franchisee

Please sign this copy of the Receipt, date your signature, and return it to: Theodore Vu, Tastea Franchising, LLC, 11612 Knott Street #G5, Garden Grove, California, 92841; Telephone (714) 894-0285.

TASTEA FRANCHISING, LLC FRANCHISEE RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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- Exhibit K: Table of Contents of Operations Manual
- Exhibit L: List of Franchisees
- Exhibit M: State Effective Dates
- Exhibit N: Receipts

Date

Franchisee

Keep this copy for your records. This Disclosure Document may be available in several formats including on paper, on a CD, or in pdf format.