FRANCHISE DISCLOSURE DOCUMENT

Hechalou International LLC
a Delaware limited liability company
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https://hechaloutea.com.tw/

We offer single unit franchises awarding the right to operate a tea shop under the "Hechalou" trademarks and business systems featuring milk tea, fruit tea, boba tea, tea jellies and other specialty items, as well as other complementary menu items.

The total investment necessary to begin operation of a single Hechalou tea shop is $266,000 to $471,500. This includes $71,000 to $100,000 that must be paid to us or our affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Rick Hsu, Chief Operating Officer, Hechalou International LLC, 430 South Garfield Avenue, Suite 489, Alhambra, California 91801, (626) 282 - 3700, rick.hsu@hechalou.com.

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

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

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

Issuance Date: September 19, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits and losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Hechalou business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Hechalou franchisee?	Item 20 or Exhibit C 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 D.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

3. **Purchases from Taiwan**. You must purchase some of the inventory or supplies that are necessary to operate your business from the franchisor's affiliate located in Taiwan, at prices the franchisor or it sets. These prices may be higher than prices you can obtain elsewhere for the same or similar goods. The affiliate, being located in Taiwan, could also impact delivery of perishable goods, along with import and shipping costs. These things may reduce the anticipated profit of your franchise business.

4. **Early Stage of Franchising.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

5. **Unregistered Trademark**. The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

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

To simplify the language in this Franchise Disclosure Document ("Disclosure Document"), "Company," "us," "we" and "our" refer to Hechalou International LLC, the franchisor. We refer to a person who buys a franchise from us as "you." If you are a corporation, limited liability company, partnership or other business entity, "you" also includes your owners.

The Franchisor and any Parents, Predecessors and Affiliates.

We are a Delaware limited liability company formed on April 22, 2024. Our principal place of business is at 430 South Garfield Avenue, Suite 489, Alhambra, California 91801. We have no predecessors. We do not conduct business under any other name. We do not conduct business in any other line of business, and we do not offer franchises in any other line of business.

Our parent company is HechalouTea Co., Ltd. ("Hechalou TW"), a Taiwan corporation formed on December 19, 2016. Hechalou TW's principal place of business is at 15 F, No. 296, Section 4, Xinyi Road, Da'an District, Taipei City, 106427, Taiwan (R.O.C.). Hechalou TW licenses the Marks that we described in Item 13 to other licenses/franchisees in Taiwan. Hechalou TW is owned by Ethan Yi-Shen Fang, our Founder and Chief Executive Officer, who also owns and licenses to us the Marks that we described in Item 13.

On April 15, 2022, Hechalou TW entered into an agreement titled "Regional Agency Contract" with Hechalou US LLC, a California limited liability company ("Licensee"). During the term of the Regional Agency Contract, Licensee has the exclusive right to open and operate, either directly or through third-parties, Hechalou Tea Shops (as defined below) in Southern California (including Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, Santa Barbara, San Luis Obispo and Ventura counties) and the state of Arizona. As of the date of this Disclosure Document, Licensee has opened one Hechalou Tea Shop in Southern California.

Agent for Service of Process

Our agent for service of process is Rick Hsu at 430 South Garfield Avenue, Suite 489, Alhambra, California 91801. Our agent in California is the Commissioner of the California Department of Financial Protection and Innovation. Exhibit D identifies any agents we have in certain other states.

The Franchises We offer

A Hechalou Tea franchisee operates a retail store that sells tea beverages with milk tea, fruit tea, boba tea, tea jellies and other specialty items, as well as other complementary menu items (a "Hechalou Tea Shop"). The award of a franchise gives you the right to own and operate one Hechalou Tea Shop at an approved location. Under the Franchise Agreement, you must (a) identify your tea shop using specific trademarks that we designate, (b) construct and build-out the premises to meet our design and appearance specifications, and (c) operate the Hechalou Tea Shop in accordance with our distinctive Hechalou franchise system (the "Hechalou System").

General Market for Your Products and General Description of Competition

Hechalou Tea Shops operate year-round and utilize a fast-casual/take-out service format to serve the general public. The business is seasonal in that sales tend to increase with warmer temperatures.

The retail beverage industry is highly competitive in matters concerning price, service, location, selection, product quality, promotional activities and guest services. It is often affected by changes in consumer tastes, economic conditions, demographics and traffic patterns. You will compete with numerous other restaurants and beverage shops offering a wide range of comparably priced beverage items in a wide variety of service formats. Your direct competitors will include coffee shops and teahouses; however, you will also compete with restaurants and other retail food establishments, including supermarkets and convenience stores. You should anticipate competing against national and regional franchise systems and other chains, as well as independently-owned beverage establishments located near your Hechalou Tea Shop.

Law and Regulations
Your Hechalou Tea Shop must comply with federal, state and local laws and regulations affecting the business, including state and local licensing laws, advertising, consumer protection statutes, zoning, land use and construction regulations, federal and state environmental laws and regulations, and various health, safety, sanitation and fire standards. Counties typically establish health and safety standards and regulations, which Hechalou Tea Shops must meet, including health permit and food handling certifications. These requirements can vary widely among jurisdictions, can be very strict and may involve Public Health Department inspections. You should be careful to ensure that you have a full understanding of the laws and regulations that may apply to your Franchised Business and its location. You must also comply with employment laws, like the Fair Labor Standards Act, and state laws covering matters like minimum wages, overtime and working conditions. You must also assist us in complying with federal anti-terrorism laws and executive orders.

ITEM 2. BUSINESS EXPERIENCE

Ethan Yi-Shen Fang, Founder and Chief Executive Officer
Ethan Yi-Shen Fang, our founder, has been our Chief Executive Officer since our inception in April of 2024. Since August 2019, Mr. Fang has also held the positions of Chief Executive Officer, Chief Marketing Officer, Chief Operating Officer, Chairman of the Board, and General Manager of Hechalou TW, based in Taipei, Taiwan.

Rick Hsu, Chief Operating Officer
Rick Hsu has been our Chief Operating Officer since April 2024. He has also been serving as the International Development Manager at Hechalou TW, located in Taipei, Taiwan, since April 2024. From March 2023 to May 2024, Mr. Hsu was the International Development Operations Manager at Happy Lemon, also in Taipei, Taiwan. From November 2021 to February 2023, was the Overseas Operations Business Supervisor at ShareTea in Taipei, Taiwan. Additionally, from September 2020 to August 2021, Mr. Hsu held roles of Business Management Specialist and Sales Representative at Kian Shen Co., Ltd. and Sinphar Pharmaceutical Co., Ltd. in Taoyuan and Taipei, Taiwan, respectively. From January 2019 to May 2020, Mr. Hsu was a Chain Store Manager at Nutrition Station and a Brand/Store Management Personnel at Boost Juice Bars, both located in Melbourne, Australia.

Arthur Hu, Director of Business Development
Arthur Hu has been our Director of Business Development since May 2024. From October 2023 to April 2024, Mr. Hu served as the International Development Manager at Happy Lemon in Taipei, Taiwan. From July 2021 to September 2023, he served as the Global Supply Chain Deputy Manager at Gong Cha International in Kaohsiung, Taiwan. From October 2018 to March 2021, Mr. Hu was in charge of overseas sales at Chin Ho Fa International in Taipei, Taiwan.

ITEM 3. LITIGATION

Yi-Sheng Fang v. Hechalou US LLC (United States Patent and Trademark Office Trademark Trial and Appeal Board, Opposition No. 91295497)

On April 17, 2024, Hechalou US LLC, our current franchisee/licensee, filed a trademark application for "HECHALOU" with the United States Patent and Trademark Office ("USPTO") on April 17, 2024 (the "Subject Application"). The Subject Application is currently under examination by the USPTO; however, we believe the design mark application (serial number 97226597) filed by Ethan Yi-Sheng Fang (our Founder and CEO and owner of the Marks) with the USPTO January 19, 2022 has priority over the Subject Application. The USPTO published the Subject Application for opposition on December 3, 2024. Mr. Fang filed an opposition to the Subject Application on December 4, 2024, and Hechalou US LLC filed its Answer to the Notice of Opposition on January 13, 2025. The matter is currently pending before the USPTO's Trademark Trial and Appeal Board.

In the Matter of The Commissioner of the Department of Financial Protection and Innovation of the State of California v. HechalouTea Co., Ltd. (Enforcement Matter Number 39738)
On November 6, 2024, Hechalou TW self-reported to the Enforcement Division of the Department of Financial Protection and Innovation of the State of California that Hechalou TW violated Sections 31110 and 31119(a) of the California Corporations Code when Hechalou TW entered into the Regional Agency Contract with Licensee on April 15, 2022, prior to registering the franchise with State of California and providing Licensee with a copy of a franchise disclosure document. In light of Hechalou TW's submittal of a Notice of Violation (the "NOV") to the Commissioner of the Department of Financial Protection and Innovation of the State of California (the "Commissioner") for approval in accordance with Section 31303 of the California Corporations Code, the Enforcement Division concluded its investigation without any enforcement action.

Other than the above action, 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
You must pay us an Initial Franchise Fee of $40,000 when you sign your Franchise Agreement for a Hechalou Tea Shop. The Initial Franchise Fee is due in lump sum at the time you sign the Franchise Agreement. We are under no obligation to sell you any additional franchises. We determine the Initial Franchise Fee in a uniform manner, although we may, in our sole and absolute discretion, discount the Initial Franchise Fee in certain circumstances as we deem appropriate. We may terminate the Franchise Agreement if within 180 days following the execution of the Franchise Agreement, you have not obtained our written approval to the particular premises for the Hechalou Tea Shop. If we terminate the Franchise Agreement for your failure to comply with the foregoing, we will refund all but $20,000 of the Initial Franchise Fee. You must sign our form of general release (Franchise Agreement, Schedule C) as a condition to obtaining the refund. No refunds are available under any other circumstances.

Tea Shop Pre-Opening Fee
Concurrent with the execution of your Franchise Agreement, you must pay us a Tea Shop Pre-Opening Fee in the amount of $3,000. This fee encompasses the provision of various services, including the provision of (a) renderings for the interior and storefront of your Hechalou Tea Shop, (b) review and finalization of the floor plan provided by your architect, and (c) coordination with your

contractor to ensure compliance with the specifications of the Hechalou System during construction. The determination of the Tea Shop Pre-Opening Fee is executed uniformly; however, we retain the discretion to negotiate the amount or terms of payment with individual franchisees based on relevant factors. The Tea Shop Pre-Opening Fee is not refundable under any circumstances.

Reimbursement of Travel Expenses and Per Diem for Trainer
You will reimburse us for air/ground transportation and lodging, plus a per diem of $200 per day, for each of our trainer(s) who will conduct the Initial Training Program at your Hechalou Tea Shop for a period of 4 weeks (3 weeks immediately preceding the grand opening of your Hechalou Tea Shop and 1 week immediately following the grand opening of your Hechalou Tea Shop). The total estimated cost is $12,000 to $17,000.

Opening Inventory
Prior to the opening of your Hechalou Tea Shop, it is incumbent upon you to procure specified inventory items, including tea leaves, powders, mixes, raw ingredients, branded paper/plastic products, and certain equipment and accessories (collectively referred to as “Proprietary Products”) from our affiliate, Hechalou TW. These items are to be stocked at your Hechalou Tea Shop in quantities deemed sufficient to meet reasonably anticipated consumer demand. The estimated costs associated with acquiring an adequate opening supply of these items range from $16,000 to $40,000. Payment for the inventory items is required at the time of purchase, and it is strongly advised that such purchases be made 2 to 3 months in advance of the Hechalou Tea Shop’s opening. You may only return the inventory items (and receive, at our discretion, a refund or replacement) if they are defective.

ITEM 6. OTHER FEES

Name of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fees	5% of Gross Revenues from the previous royalty period, which is currently the calendar month (Note 2)	By the 7th day following the end of each royalty period	You must make these royalty payments in the manner we instruct, including possibly by pre-authorized electronic debit. (Note 3)
Transfer Fee	$10,000	On or before completion of the transfer.	If you sell your business, either you or the assignee must pay us this fee. We do not charge a transfer fee for a one-time transfer of your Franchise Agreement to a business entity wholly owned by you.

Name of Fee (Note 1)	Amount	Due Date	Remarks
Testing Costs	Varies	On demand	You reimburse us for any costs we incur testing or evaluating any product/service/ supplier you propose.
Renewal Fee	$20,000	On franchise renewal	If your Franchise Agreement is renewed, you must pay us this fee.
Costs of Collection	Varies	On demand	You are responsible for all reasonable costs of collection we incur in connection with any late payments, including legal costs and attorneys' fees.
Interest	Lower of 1.5% per month or highest rate permitted by law (note 4)	As incurred	You pay this if you do not pay amounts owed to us or any Franchisor Associates on time.
Indemnification	Unknown	On demand	(Note 5)
Tax Payments	Unknown	On demand	You reimburse us for any gross receipts taxes, value added taxes, sales taxes, use taxes, personal property taxes or any other tax we pay on your behalf or incur because of payments you made to us or money you are paid. You also pay withholding tax if required under law.

Name of Fee (Note 1)	Amount	Due Date	Remarks
Additional On-Site Training/Consultation Fees and Possible Expenses	$400 per day per trainer/consultant	Before attendance	You are responsible for any costs associated with your and your employees' participation in additional training, including transportation, lodging, meals, incidentals and training fees. In addition, you must also pay the incidental costs of transportation, lodging, and other living expenses for our trainers.
Audit Costs	Varies	On demand	We can inspect and/or audit the books and records of your Hechalou Tea Shop. If the audit reveals any underpayment or understatement, then you must reimburse us for the cost of the audit. If the audit does not reveal any underpayment or understatement, the cost of the audit will be borne by us.
Required Tea Shop Update Expenses (Note 6)	Uncertain	As incurred	You must bring your Hechalou Tea Shop up to new Hechalou Tea Shop design and facility standards with a total update as a condition to any renewal term.

Notes to Chart on Other Fees
For a Hechalou Franchise

Note 1: All fees are deemed nonrefundable. Unless explicitly stated otherwise, all fees shall be remitted to us via the method designated by us, including electronic funds transfer. These fees are uniformly established and collected.

Note 2: "Gross Revenues" encompasses all charges and/or revenues accrued or received in the operation of your Hechalou Tea Shop, excluding sales tax remitted to the appropriate taxing authority when due and actual customer refunds, adjustments, and credits. The prevailing royalty period is defined as a calendar month; however, we reserve the right to alter the duration covered by a royalty period to a different interval (e.g., weekly, etc.). In the event of a modification to the royalty period, any amounts paid and/or computed in connection with a royalty period will be adjusted proportionally, along with any associated obligations.

Note 3: If requested by us, it is mandatory for you to fulfill and sign any bank authorization or other form mandated by us to authorize the selected payment method. Additionally, you are required to maintain an account at a bank or another financial institution capable of executing electronic debits to its account, and to uphold account balances adequate to accommodate any electronic payments as required by us.

Note 4: The maximum permissible interest rate for late payments in California, as dictated by law, is 10% annually.

Note 5: You must indemnify and hold harmless us and our Affiliates from any and all fines, suits, proceedings, claims, demands, actions, losses, damages, costs, fees (including attorneys' fees and related legal costs and expenses), governmental or administrative actions or proceedings, and any other form of liability, regardless of nature, arising from, related to, or connected with your breach of the Franchise Agreement, the ownership or operation of your Hechalou Tea Shop, or any act, error, and/or omission by you and/or any of your affiliates, agents, officers, partners, members, shareholders, directors, employees, or representatives.

Note 6: Apart from updating your Hechalou Tea Shop to our then-current standards as a condition to any renewal term, you are required, at your own cost, to maintain the cleanliness, condition, and appearance of both the interior and exterior of your Hechalou Tea Shop, as well as your Hechalou Tea Shop assets, in adherence to our quality standards and the Hechalou System (referred to collectively as "tea shop maintenance activities") on a continual basis. Additionally, you must replace any worn, obsolete, or irreparable assets with those that comply with the prevailing Hechalou System standards.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

DESCRIPTION	ESTIMATED COST	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Initial Franchise Fee (Note 1)	$40,000	Electronic funds transfer or other method we choose	Upon execution of Franchise Agreement	Us
Tea Shop Pre-Opening Fee (Note 2)	$3,000	Electronic funds transfer or other	Upon execution of Franchise Agreement	Us

DESCRIPTION	ESTIMATED COST	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
		method we choose		
Your Initial Training Expenses for Our Trainers (Note 3)	$12,000 - $17,000	As arranged	As incurred	Us
Rent & Deposit (Note 4)	$4,000 - $10,000	As arranged	As incurred	Lessor
Architects Fees, Engineering Plans, Construction, Remodeling, Decorating, Signage, Leasehold Improvements, Fixtures and Furniture (Note 5)	$100,000 - $200,000	As arranged	As Incurred	Contractors, vendors and Approved Suppliers
Equipment	$40,000 - $60,000	As arranged	As Incurred	Contractors, vendors and Approved Suppliers
Opening Inventory and Supplies (Note 6)	$20,000 - $50,000	As arranged	As Incurred	Us and other Approved Suppliers and vendors
Insurance (Note 7)	$8,000 - $12,000 (annual premium)	As Arranged	As Incurred	Insurance Carriers
Security and Utility Deposits, Licenses, Permits, Certificates and other Prepaid Expenses (Note 8)	$10,000 - $15,000	As Arranged	As Incurred	Local utilities and agencies; Food Handler Certification Provider
Legal, Accounting Costs (Note 9)	$5,000 - $7,000	As Arranged	As Incurred	CPA, Attorney, etc.
Computers, Point of Sale System and Related Software (Note 10)	$4,000 - $7,500	As arranged	As Incurred	Approved Suppliers

DESCRIPTION	ESTIMATED COST	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Additional Funds for 3 months (Note 11)	$20,000 - $50,000	As arranged	As Incurred	Various Suppliers
TOTAL (Note 12, Note 13 and Note 14)	$266,000 - $471,500			

Notes to Chart

1. The Initial Franchise Fee is non-refundable. However, we reserve the right to terminate the Franchise Agreement if you fail to obtain our written approval for the designated premises of the Hechalou Tea Shop within 180 days subsequent to the execution of the Franchise Agreement. In the event of such termination, a refund of the Initial Franchise Fee, less $20,000, will be issued. The execution of our general release form (Franchise Agreement, Schedule C) is a prerequisite for obtaining the refund. Refunds are not available under any other circumstances.

2. The Tea Shop Pre-Opening Fee is non-refundable under any circumstances.

3. You will reimburse us for air/ground transportation and lodging, plus a per diem of $200 per day, for each of our trainer(s) who will conduct the Initial Training Program at your Hechalou Tea Shop for a period of 4 weeks (3 weeks immediately preceding the grand opening of your Hechalou Tea Shop and 1 week immediately following the grand opening of your Hechalou Tea Shop).

4. The recommended square footage for a Hechalou Tea Shop is approximately 600 to 1,200 square feet, ideally situated within a mall or strip shopping center.

5. This cost estimate encompasses various build-out expenses associated with a 600 to 1,200 square foot space. The estimated range covers permit costs, internal partition build-out expenses, costs related to the purchase and installation of essential equipment, fixtures, counters, menu boards, tables/chairs, and cabinets necessary to construct your Hechalou Tea Shop in accordance with our current standards and specifications. The quantity of these items may vary based on the square footage and format (e.g., food court, kiosk, or other non-traditional formats) of your Hechalou Tea Shop.

6. The estimated range provided encompasses purchases of product inventory from us, along with standard Hechalou Tea Shop supplies typically kept on-site, including small wares, cleaning supplies, and miscellaneous items. Should you opt to procure quantities exceeding the minimum required by us, your expenses will correspondingly increase.

7. You are obligated to maintain policies of insurance at all times, covering various risks as stipulated by us. Additionally, you must ensure that your construction, fixtures, and equipment-related contractors, as well as any general contractor if applicable, maintain general liability insurance coverage meeting or exceeding any requirements set forth by landlords, with a minimum coverage limit of $1,000,000. Insurance rates are determined by carriers based on multiple factors, including location and claims history. We advise you to collaborate with a broker in your area to obtain an estimate of the insurance costs relevant to your local area.

8. You are mandated to procure all necessary licenses, permits, and certificates essential for both the construction and operation of your Hechalou Tea Shop. Additionally, you and your staff must obtain food handler certifications from a provider approved by us.

9. We strongly advise you to seek guidance from independent professional advisors, such as a lawyer and a Certified Public Accountant (CPA), regarding the operation of your Hechalou Tea Shop, including permitting and regulatory obligations, as well as matters pertaining to business formation and taxation.

10. You are required to procure Point of Sale (POS) system hardware that meets our specifications from our designated supplier. The estimated range assumes a single system and encompasses the hardware, including optional upgrades, some of which may become mandatory at our discretion, as well as the initial setup fee for our proprietary software. Throughout the term of the Franchise Agreement, we reserve the right to mandate your purchase, maintenance, and upgrading of computer hardware, software, and other technological tools as we deem appropriate. You must also have a computer that meets our specifications.

11. “Additional Funds” refers to an estimation of the funds necessary to cover business-related expenses, excluding personal expenses, during the initial 90 days of operating the Franchise Business. The estimated range pertains specifically to the first 90 days of operation and considers various factors, as elaborated upon in Note 12 below. Capital is required to sustain ongoing costs of business operations, including supplies, additional inventory, payroll, utilities, and other expenses. It is important to note that this estimate is not exhaustive, as further explained in Note 12 below. Our estimation is derived from the prior experience of our officers with similar tea shops under different brands (including their prior experiences with Happy Lemon-branded tea shops as disclosed in Item 2), as well as their experience with the Hechalou Tea Shop opened by our franchisee in March of 2024 (as disclosed in Table 5 of Item 20).

12. “The Total Estimated Initial Investment” comprises estimates encompassing the range of certain initial costs incurred both pre-opening and within the first 90 days of operation for a single Hechalou Tea Shop. It is imperative to note that these estimates are not exhaustive and exclude any rental and related occupancy costs for your Hechalou Tea Shop location, finance charges, interest or debt service obligations, taxes, royalties, or owner's salary or draw.

13. Except for the Initial Franchise Fee, none of the fees payable to us are subject to refund. We reserve the right to terminate the Franchise Agreement if within 180 days following the execution of the Franchise Agreement, you have failed to obtain our written approval for the specific premises designated for the Hechalou Tea Shop. In the event of such termination, we will refund $20,000 of the Initial Franchise Fee. It is mandatory to sign our general release form (Franchise Agreement, Schedule C) as a prerequisite for obtaining the refund. Refunds are not available under any other circumstances.

14. Neither we nor our affiliates provide any form of direct or indirect financing for your initial investment.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You are required to adhere to specified standards in the operation of your Hechalou Tea Shop, including the utilization and purchase/sale of our approved products, services, equipment, fixtures, and materials, as mandated by us (“Designated Goods”). These Designated Goods encompass, but are not limited to, packaging and serving materials (e.g., bags, cups, etc.), certain proprietary ingredients, mixes, seasonings, flavorings, and other raw materials, supplies, kitchen equipment, computer hardware and software, uniforms, and signage. We provide you with a list of approved suppliers and distributors authorized to furnish some or all of the Designated Goods ("Approved Suppliers"). We reserve the right to modify, add, or remove Designated Goods and approved suppliers at our discretion. It is prohibited to utilize, offer, or sell any Designated Goods at your Hechalou Tea Shop without our prior approval. Currently, our affiliate, Hechalou TW, is the sole Approved Supplier of the Designated Goods.

We and our affiliates retain the right to receive rebates, incentive amounts, discounts, and other economic benefits from any supplier to Hechalou Tea Shops, and to generate profit from the sale of Designated Goods to you and other Hechalou Tea Shops. We and our affiliates may act as Approved Suppliers, whether exclusively or otherwise, of any Designated Goods required by a Hechalou Tea Shop. None of the Approved Suppliers, including our affiliate(s), will make payments to us from purchases made by you and other franchisees. Currently, our affiliate, Hechalou TW, is the sole Approved Supplier of the Designated Goods. It is anticipated that Hechalou TW will realize a reasonable profit margin on the goods provided to you and other franchisees.

Alternative Suppliers- Approval Process

Should you wish for your Hechalou Tea Shop to offer or use any products or services not yet approved by us, or if you intend to procure from a supplier that has not yet obtained Approved Supplier status and we mandate the utilization of one, you must adhere to the following request process: (1) submit a written request to us, (2) provide samples and any requested information to aid in the evaluation of the proposed product, service, or supplier (at your expense), and (3) allow for a reasonable period, typically around 60 days, for us to approve or disapprove the request. You are obligated to reimburse us for the costs incurred in evaluating the proposed product, service, or supplier. We reserve the right to conduct subsequent evaluations of products, services, or suppliers and to revoke any previously granted approvals. In the event of revocation, you will be afforded a reasonable period, not less than 30 days, to discontinue the offering or utilization of the revoked products or services, or to cease procurement from the revoked suppliers. We also reserve the right to mandate that products or services sold in the Hechalou Tea Shop adhere to any specifications and quality standards we establish for the preservation and enhancement of the brand's goodwill. If adopted, we will provide written notification to franchisees regarding any required specifications or quality standards. Currently, we do not have any written criteria for evaluating suppliers. Neither we nor our affiliates are obligated to disclose recipes, specifications, and/or formulas for Designated Goods to you, non-designated suppliers, or any other third parties.

We do not provide any material benefit, including but not limited to the granting of an additional franchise or a renewal franchise, based on your use of Designated Goods or your purchases from Approved Suppliers. Nonetheless, failure to offer or use Designated Goods or to purchase from Approved Suppliers constitutes a default under the Franchise Agreement. Generally, any franchisee found in default may not be granted a successor or additional franchise and may potentially face termination. Moreover, we reserve the right to condition your participation in any program or the receipt of any benefits, such as inclusion in Website listings and promotional program, on your adherence to the terms outlined in your Franchise Agreement.

Cooperatives and Negotiated Prices

Currently, there are no existing purchasing or distribution cooperatives in place. While we retain the discretion to negotiate prices on behalf of franchisees, we are not obligated to do so. There is no predefined set of circumstances that mandate our negotiation of prices on behalf of franchisees. The decision to engage in price negotiations on behalf of franchisees will be made on a case-by-case basis. As of the issuance date of this Disclosure Document, we have not conducted any price negotiations.

We project that the purchases and leases mandated by us will constitute approximately 80% of all purchases and leases incurred during the establishment of your Hechalou Tea Shop. Additionally, we anticipate that the requisite purchases and leases made on an ongoing basis will account for approximately 80% of all purchases and leases incurred in the ongoing operation of the business.

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	Sections In Franchise Agreement	Items In Disclosure Document
a. Site selection and acquisition/lease	Section 3 and Schedule A of Franchise Agreement	Items 7, 11 and 12
b. Pre-opening purchases/ leases	Section 3 of Franchise Agreement	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 3, 13 and 14.A of Franchise Agreement	Items 6, 7, 8, 11 and 12
d. Initial and ongoing training	Section 4 of Franchise Agreement	Items 6, 7 and11
e. Opening	Section 3.D of Franchise Agreement	Items 7 and 11
f. Fees	Sections 2.B, 4.A and B, 11, 17.A, 18.D., and 22 of Franchise Agreement	Items 5, 6, 7 and 17
g. Compliance with standards and policies/Operating Manual	Sections 2, 3, 4, 5, 7, 9, 10, 12, 13 and 14.A of Franchise Agreement	Items 8, 11 and 16
h. Trademarks and proprietary information	Sections 5, 6, 8 and 10.C of Franchise Agreement	Items 11, 13 and 14
i. Restrictions on products/services offered	Sections 3.D and 13.C of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 13.A of Franchise Agreement	Item 8

Obligation	Sections In Franchise Agreement	Items In Disclosure Document
k. Territorial development and sales quotas	Section 1.B of Franchise Agreement	Item 12
l. Ongoing product/service purchases	Sections 12.C and 13.C-G of Franchise Agreement	Items 6, 8 and 16
m. Maintenance, appearance, and remodeling requirements	Section 13.B of Franchise Agreement	Item 15
n. Insurance	Section 3.D and 14.A of Franchise Agreement	Item 7
o. Advertising	Section 10 of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 14.B of Franchise Agreement	Items 6, 13 and 14
q. Owner's participation/ management/staffing	Sections 4.A, 7.B, 13.H of Franchise Agreement	Items 11 and 15
r. Records/reports	Sections 12.A. and B of Franchise Agreement	Items 6 and 11
s. Inspections/audits	Sections 3.C, 12.D and E of Franchise Agreement	Items 6 and 11
t. Transfer	Sections 18.B-D and 19 of Franchise Agreement	Items 6 and17
u. Renewal	Section 2.B of Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Sections 15.C and 17 of Franchise Agreement	Item 17
w. Non-competition covenants	Sections 15.B and C and 17.A of Franchise Agreement	Item 17
x. Dispute resolution	Section 29 of Franchise Agreement	Item 17
y. Other: guarantee of franchisee obligations	Section 31 and Schedule B of Franchise Agreement	Item 15

ITEM 10. FINANCING

We do not provide any form of direct or indirect financing. Furthermore, we do not offer any guarantees for your note, lease, or any other obligations.

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

Except as listed below, Hechalou International LLC is not required to provide you with any assistance.

A. Pre-Opening Services. Prior to commencing business operations, we extend the following services to you:

1. Provide assistance in identifying a suitable tea shop location that complies with the Franchisor's requirements (Section 3.A of the Franchise Agreement).

2. Written acceptance of your proposed location is subject to our discretion. Upon acceptance, the designated site will be deemed your Accepted Location (Section 3.A of the Franchise Agreement). Typically, we do not own or lease premises for Hechalou Tea Shops to our franchisees. Therefore, it is incumbent upon you to locate a suitable site for your tea shop.

3. An Initial Training Program is provided for you, or your Designated Owner if you are a Business Entity, as further described in the subsequent sections of this Item 11 (Section 4.A of the Franchise Agreement).

4. Provide a list of Approved Suppliers and any requisite Products or Services. It is incumbent upon you to directly engage with the Approved Suppliers for the procurement of any required Products or Services (Sections 13.C and 13.D of the Franchise Agreement).

5. Provide a list of Approved Suppliers and a list of any required equipment, signs, fixtures, opening inventory, and supplies that are provided by the Approved Suppliers. It is incumbent upon you to directly engage with the Approved Suppliers for the procurement of any these items (Sections 13.C and 13.D of the Franchise Agreement). We do not facilitate the delivery or installation of any such items.

6. Provide a generic interior layout of your tea shop; however, you are required to procure detailed architectural or construction drawings/design services tailored to your specific location (Section 3.C of the Franchise Agreement).

7. Assist with the review of the tea shop floor plan presented by the architect and offer recommendations for requisite adjustments and alterations (Section 3.C of the Franchise Agreement).

8. Offer renderings for the tea shop design concept and aid in evaluating and approving (or disapproving) any proposed deviations (Section 3.C of the Franchise Agreement).

B. During the Operation of Your Business. During the operation of your business, we will provide you with the following:

1. Offer additional general guidance using any method and at times, in the manner, and to the extent we deem appropriate (Section 4.C of the Franchise Agreement).

2. Provide you with a hard copy or access to an electronic version of our Manual (Section 7.A of the Franchise Agreement).

3. We reserve the right to grant consent (or withhold consent) to any proposed advertising you submit for our review, should we deem it necessary to do so (Section 10.A of the Franchise Agreement).

4. We retain the authority to grant consent (or withhold consent) to any proposed products, services, or suppliers you submit for our acceptance (Section 13.E of the Franchise Agreement).

5. We reserve the discretion to provide assistance with marketing services, which may encompass the management of social media platforms, provision of promotional posters, and the maintenance and updating of tea shop menu and TV media (Sections 4.C and 10 of the Franchise Agreement).

6. Conduct routine performance inspections to verify that products and ingredients adhere to our prescribed quality standards (Section 12.D of the Franchise Agreement).

7. Aid in reviewing and granting consent (or withholding consent) regarding any proposed deviations concerning updates and/or refreshes of your tea shop (Sections 3.D and 37 of the Franchise Agreement).

Training.

Prior to the opening of your Hechalou Tea Shop, it is requisite that your Designated Owner (as designated on Schedule A of your Franchise Agreement) and at least three (3) additional tea shop manager participate and successfully complete the Initial Training Program, detailed below.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction to the System and the Hechalou Concept	1	2	On-Site at your Store or online training (at our option).
Product Training • Product recipe • Product SOP • Food safety • Customer service and satisfaction	2	50	On-Site at your Store.
Business Management Training • Order procedures • Reporting	3	40	On-Site at your Store

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
• Floor management • Preparation notices/cautions			
Pre-Grand Opening Training	0	42	On-Site at your Store
Post-Grand Opening Training and Assistance	0	56	On-Site at your Store
Marketing Strategies / Social Media Marketing / Customer Retention	2	0	On-Site at your Store or online training (at our option).
TOTAL	8	190	

The instructional materials we use in the Initial Training Program include handouts, samples, videos and live demonstrations. The Initial Training Program is taught under the supervision of Rick Hsu. Mr. Hsu has 8 years of experience in the industry. All trainers/instructors have at least 4 years of experience in the Hechalou System. The above schedule is our anticipated Initial Training Program, but is subject to change.

The total duration of our Initial Training Program will be approximately 4 weeks, commencing 3 weeks prior to the grand opening of your Hechalou Tea Shop and ending 1 week after the grand opening of your Hechalou Tea Shop. You will be responsible for expenses incurred for all your attendees. In addition, you will reimburse us for air/ground transportation and lodging, plus a per diem of $200 per day, for each of our trainer(s) who will conduct the Initial Training Program at your Hechalou Tea Shop.

We retain the discretion to conduct on-site consultation services subsequent to the Initial Training Program, although such services are not obligatory. Should you request on-site consulting and we opt to fulfill your request, you are obligated to pay our prevailing consultation fee, currently set at $400.00 per day per consultant, alongside covering associated expenses, encompassing travel, lodging, and meals, as described in Section 4.B of the Franchise Agreement.

We reserve the right to propose or mandate remedial training and supplementary training programs, which may be administered online, at our training facilities, or other designated venues, to ensure your adherence to current Products, Services, and brand standards. Any relevant fees associated with such training initiatives will be communicated to you through the Manual or other written instructions, as described in Section 4.B of the Franchise Agreement.

We do not extend any support pertaining to the recruitment of your personnel, and apart from the Initial Training Program, we do not furnish any aid concerning the training of your staff members.

Manual.

We will lend you with a copy of the Manual, which may be furnished either in hard copy or electronic format, comprising one or more separate manuals and supplementary materials. This Manual encompasses specifications, standards, and operational procedures/requirements mandated for Hechalou Tea Shop. We retain the right to make changes to any Manual issued, and you must comply with any mandatory provisions therein. In the event of any discrepancies concerning the Manual, our master copy shall prevail. Furthermore, any new or revised Manual shall not override the terms of the Franchise Agreement. The current Manual encompasses the following subjects:

Section Number	Section Title	Number of Pages
1	Hechalou Training Manual	60
2	Hechalou Four Stations Manual	40
3	Hechalou Equipment and Machines Manual	40
4	Hechalou Food Safety Manual	35
5	Hechalou Marking Manual	30
Total		205

Advertising.

We retain the discretion, but not the obligation, to furnish advertising templates for your adaptation and use in promoting your Hechalou Tea Shop. It is imperative that any advertising conducted adheres to professional and ethical standards and aligns with any policies and/or specifications we may institute. We reserve the right to require you to obtain our written consent prior to the dissemination of any promotional materials or information bearing our brand/trademarks, including social media postings (Section 10.A of Franchise Agreement). Additionally, we have the authority to establish Hechalou website(s) and may stipulate your participation therein, necessitating the provision of relevant information for content development (Section 10.C of Franchise Agreement).

We and our affiliates retain exclusive ownership rights over the Internet domain: https://hechaloutea.com.tw/, including the establishment of sites utilizing this domain name. You explicitly acknowledge the domain name as our sole property. Any utilization of the Marks in any manner via computer or electronic mediums (e.g., Internet home pages, websites, bulletin boards, metatags, or similar Internet-related mediums or activities) requires our explicit prior written consent, except as expressly authorized in our Manual. Our Internet website may feature one or more interior pages identifying all Hechalou Tea Shops, inclusive of your Hechalou Tea Shop, categorized by geographic region, address, telephone number, and other contact information.

You are required to initiate a grand opening campaign within 7 days of opening your Hechalou Tea Shop to the general public. While we suggest allocating an additional 3% to 5% of your Gross Revenues annually towards local advertising, this recommendation does not constitute a mandate. We hold no obligation to execute advertising campaigns ourselves; nonetheless, we reserve the right to mandate your participation in promotional activities and campaigns devised by us.

Presently, we do not maintain an advertising council comprising franchisees to provide advice on advertising policies. There are no local or regional advertising cooperatives in which you are required to participate. There are also no mandatory contributions to advertising or marketing funds required from you.

We retain the right to request the display of informational material concerning our franchise opportunities within your Hechalou Tea Shop, at our sole expense (Section 10.A of Franchise Agreement).

<u>Computer System</u>.

You are required to purchase and utilize hardware and software programs as mandated by our specifications and compatibility prerequisites (Section 12.C of Franchise Agreement). These specifications are subject to change over time and may necessitate further investment. Notably, there are no constraints specified within the Franchise Agreement concerning the frequency or cost associated with your duty to upgrade or update the required hardware or software.

As of the issuance date of this Disclosure Document, the sole requisite hardware and software entail the Point of Sale (POS) system. It is imperative that you procure a minimum of one POS system hardware adhering to our specifications from our designated supplier. This system will be instrumental in storing pertinent information pertaining to your sales, accounting, and other operational facets. The estimated expense for purchasing/leasing the POS system hardware is approximately $3,000 to $6,000, contingent upon optional upgrades, certain of which may be deemed obligatory at our discretion. It is important to note that these costs are subject to adjustment by the designated supplier.

You are required to purchase and update the POS system, in addition to subscribing to any loyalty rewards program, gift card service, mobile orders, and analogous modules as required by us and/or as stipulated by the software and hardware manufacturers to maintain or operate the system. You ae required to arrange for the maintenance and upgrades, the estimated expenses of which range from approximately $200 to $350 per month, subject to adjustment by the designated supplier. You are responsible for ensuring that the collection, input, storage, and use of data comply with all privacy laws and regulations applicable to your Hechalou Tea Shop (Section 12.C of Franchise Agreement).

We retain the unilateral right to independently access all data generated and retained within your POS systems. The agreement does not prescribe any constraints regarding the timing or extent of our access to your POS systems, nor does it delineate limitations on the information accessible during such access.

Furthermore, you must regularly update and maintain, as deemed reasonably necessary by us, a computer and Internet browser to facilitate your participation in any potential Intranet established by us and to engage in communication with us via email. The estimated expense associated with purchasing the computer is approximately $1,000 to $1,500.

<u>Site Selection & Starting Operation</u>.

You will propose a site for your Hechalou Tea Shop. Prior to executing any lease agreement or occupying the premises, you are required to furnish us with a detailed description of the location, accompanied by any additional information we may request, allowing us, at our discretion, to either accept or reject it. Our evaluation of your proposed location considers various factors including, but not limited to, the general vicinity/neighborhood, traffic flow, parking availability, dimensions, existing building attributes, accessibility, demographic composition, and compliance with relevant Public Health Department regulations.

While we are not bound by a specific timeline to approve or disapprove a proposed location, it is anticipated that we will notify franchisees approximately 30 days subsequent to the submission of site information. In the event that you and we fail to reach consensus on an Accepted Location within 180 days of the effective date of your Franchise Agreement, and no written time extension has been granted, we reserve the right to terminate your Franchise Agreement. In such a scenario, we will reimburse any Initial Franchise Fee remitted to us, deducting $20,000 for our incurred expenses, contingent upon your execution of a mutual termination agreement and General Release (Section 3.A of Franchise Agreement). We may also require any proposed lease for a Hechalou Tea Shop incorporate provisions safeguarding our intellectual property rights. (Franchise Agreement, Section 3.B)

Upon our acceptance of the proposed site for your Hechalou Tea Shop, the designated location shall be referred to as your Accepted Location. You are granted a period of 12 months from the effective date of your Franchise Agreement to commence operations at this location, which is your "Opening Period Deadline", unless a written extension is provided by us. It is imperative to note that you are prohibited from initiating business operations at your Hechalou Tea Shop until our explicit written consent is obtained (Section 3.D of Franchise Agreement).

Our consent to the opening of your Hechalou Tea Shop is also contingent upon the fulfillment of the following conditions: (i) payment of all outstanding Initial Franchise Fees and any other amounts due; (ii) verification of compliance with store development requisites; (iii) provision of valid certificates of insurance coverage; (iv) satisfactory completion of pre-opening training obligations by you and your staff, meeting our reasonable expectations; and (v) submission of documentary evidence, at least 15 days before the scheduled opening, confirming that the Designated Owner and any other requisite personnel have acquired the requisite food handler certifications mandated for Hechalou Tea Shop operations, as approved by us.

We do not extend any assistance in aligning your Hechalou Tea Shop with local ordinances and building codes, securing necessary permits, or overseeing the construction, renovation, or interior decoration of the Hechalou Tea Shop, nor do we offer support in the recruitment and training of employees.

Failure to commence operations by the specified Opening Period Deadline constitutes a violation of the Franchise Agreement, entailing the possibility of termination of the Franchise Agreement (Section 16.A of Franchise Agreement).

We estimate that the customary duration between the execution of your Franchise Agreement and the commencement of operations at your Hechalou Tea Shop ranges from approximately 150 to 300 days. However, this timeframe may be subject to delays attributable to various factors including but not limited to permit acquisition, leasehold enhancements, equipment procurement, and other unforeseen circumstances.

ITEM 12. TERRITORY

You will not have an exclusive territory. Your Hechalou Tea Shop may encounter competition from other franchisees, outlets owned by us, or alternative distribution channels or competitive brands managed by us or our affiliates.

We grant you a franchise to establish and operate a Hechalou Tea Shop at a site specified in Schedule A of your executed Franchise Agreement. The Accepted Location denotes the physical street address of your Hechalou Tea Shop. When a location is authorized, you will not be granted any “exclusive”, “protected” or “reserved” territorial or other rights.

We and our affiliates can locate and license others to locate and operate anywhere other Hechalou Tea Shops (or any other brand) or any other kinds of business under the Marks or other brands regardless of their proximity to or competition with your Hechalou Tea Shop. This includes the utilization of the Marks or other brands for various goods and services through diverse distribution channels, including but not limited to the Internet and grocery outlets. We and our Affiliates have the right to use, and license others to use, all channels of distribution, such as the Internet and grocery outlets, for the sale of any and all kinds of goods and services using the Marks or Hechalou System or other trademarks. We and our affiliates can become associated with other concepts including dual branding and other franchise systems, for any kind of products or services. You do not have any rights with respect to other or related business operations, concepts, products or services in which we or our affiliates may be involved, now or in the future. We do not have to compensate you for any sales we or our affiliates may make.

Furthermore, we and our Affiliates retain the prerogative to engage in alternative business ventures, encompassing dual branding and other franchise systems, without conferring upon you any entitlements or compensations for such endeavors.

We and our Affiliates retain the authority to engage in mergers, acquisitions, affiliations, or transactions with other businesses, irrespective of their potential competition with Hechalou Tea Shops and their locations. In the event of brand conversions involving the Marks and Hechalou System, you are obligated to participate promptly at your expense, covering all re-branding costs.

Under our current policy, there exist no limitations on the outreach of customers whom you may encourage to visit your Hechalou Tea Ship. Neither we nor our affiliates, nor our franchisees are constrained from soliciting customers in any geographic area.

You are strictly prohibited from engaging in marketing or sales activities through the Internet, World Wide Web, or any other electronic or alternative distribution channels for Products and Services without obtaining our prior written consent.

Your operation is confined solely to your Hechalou Tea Shop at the Accepted Location. You do not possess the authority under your Franchise Agreement to establish or manage more than one Hechalou Tea Shop, nor acquire additional Franchise Agreements for additional locations.

You are obligated to exert your best efforts to promote and enhance Hechalou Tea Shop sales, although no minimum sales quota or revenue requirement is stipulated under the Franchise Agreement. Nevertheless, failure to meet the prescribed opening date specified in the Franchise Agreement constitutes grounds for termination.

We retain the right to establish, modify, or abolish policies, including marketing limitations or restrictions on the Products or Services you may offer or utilize in your Hechalou Tea Shop. If we authorize any individual exceptions to these policies, we bear no obligation to you and shall not be held liable or obliged to extend similar exemptions, provided such actions adhere to legal regulations.

Any proposed change to your Accepted Location requires our prior written approval and will be subjected to the same scrutiny, leasing, and development prerequisites applicable to your initial Accepted Location.

ITEM 13. TRADEMARKS

Pursuant to the Franchise Agreement, we grant to you the non-exclusive right to use the Marks in connection with the operation of your Hechalou Tea Shop. Ownership of the Marks lies with our founder and ultimate shareholder, Ethan Yi-Sheng Fang, who licenses the Marks to us.

The applications for the following Marks on the principal registry of the United States Patent and Trademark Office ("USPTO") are currently pending:

Trademark	Application Serial Number	Type of Mark / Basis of Application	Date of Application
	98560700 (Class 30)	Design Mark / Actual Use	May 21, 2024
	97226597 (Class 43)	Design Mark / Actual Use	January 19, 2022
HECHALOU	98553674 (Class 43)	Word Mark / Actual Use	May 16, 2024

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We and our affiliates assert common law trademark rights for all of the Marks. We intend to fulfill all necessary obligations such as filing required affidavits and renewals for the Marks as they come due.

There exist no court rulings or governmental decisions that constrain our authority to employ or license the use of our Marks. Currently, there are no substantial determinations by the USPTO, Trademark Trial and Appeal Board, or any other governmental body or court pertaining to our Marks. Moreover, we are unaware of any prior rights or infringing uses that could significantly impact your utilization of the Marks in this jurisdiction.

Furthermore, there are no ongoing significant federal or state court litigations concerning our ownership or usage rights in the Marks. However, Hechalou US LLC, our current franchisee/licensee, filed a trademark application for "HECHALOU" with the USPTO on April 17, 2024 (the "Subject Application"). The Subject Application is currently under examination by the USPTO; however, we believe the design mark application mentioned above (serial number 97226597) filed by Ethan Yi-Sheng Fang (our Founder and CEO and owner of the Marks) with the USPTO on January 19, 2022 has priority over the Subject Application. Further, we believe the Subject Application is in breach of the agreement between Hechalou US LLC and us/Hechalou TW, and we are evaluating potential legal action against Hechalou US LLC. The USPTO published the Subject Application for opposition on December 3, 2024. Mr. Fang filed an opposition to the Subject Application on December 4, 2024, and Hechalou US LLC filed its Answer to the Notice of Opposition on January 13, 2025. The matter is currently pending before the USPTO's Trademark Trial and Appeal Board.

Pursuant to a Trademark Authorization Agreement with our founder and ultimate shareholder, Ethan Yi-Sheng Fang (the "Trademark Authorization Agreement"), Mr. Fang has licensed us to use the Marks and to sublicense the Marks to our franchisees to use in operating Hechalou Tea Shops in United States. The Trademark Authorization Agreement has a term of 20 years and automatic renewals for successive 10-year terms. Notwithstanding any termination or expiration of the Trademark Authorization Agreement, we will continue to have the right to sublicense the Marks to our franchisees until the expiration of the term of all existing Franchise Agreements (including any renewal periods). Except for the Trademark Authorization Agreement, there are no agreements which significantly limit our right to use or license the use of the Marks in the United States.

You are prohibited from utilizing any of our Marks (or any altered iteration thereof, or anything phonetically or visually resembling our Marks) in the following instances:

(a) in a way that would negatively affect their goodwill or be out of compliance with our requirements;

(b) in the performance/sale of any unauthorized services/products, from any unauthorized venue or through an unauthorized manner;

(c) on or in connection with any website, webpage, domain name, site directory, e-mail address or other electronic display or use, without our prior written consent;

(d) in any way upon the termination or expiration of your Franchise Agreement; or

(e) in any matter not explicitly authorized under the Franchise Agreement or in a separate written authorization from us.

You are obligated to utilize the "™" and/or "®" symbols and adhere to other notices, including those denoting independent ownership, in accordance with our instructions. Furthermore, you must adhere to all policies and requirements stipulated by us concerning the acquisition of Internet keywords, the management of social network pages, videos, or any other online publication where the Marks are utilized or referenced.

You will not take any action that jeopardizes our or our affiliates' interests in, or the validity or enforcement of, the Marks. You must notify us immediately when you learn about an infringement of or challenge to your use of any of the Marks. We or our affiliates will take any action we think appropriate, if any. We or our affiliates have the sole right to control any administrative proceedings or litigation involving the Marks. You will cooperate with us in whatever action we take to protect the Marks, and we will cover the expenses.

We are not obligated to protect your use of the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks.

If we discontinue, substitute, modify or add any Mark and require franchisees to do the same, you will comply at your own expenses with the changes and we/our affiliates will have no liability. You will have up to 30 days to implement these changes.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

As of the issuance date of this Disclosure Document, we do not own any rights in or to any patents or patent applications deemed material to the franchise. However, we assert copyright protection for our Manual, promotional materials, and other publications, although we have not registered any of the materials with the U.S. Copyright Office ("Copyright Office"). These materials are considered proprietary and confidential, constituting our property and accessible to you solely as outlined in the Franchise Agreement, Manual, and other communications provided by us. We retain the right to register any of our copyrighted materials at our discretion.

There exist no current determinations by the USPTO, Copyright Office, or court concerning our claimed copyrights, and we are unaware of any infringements that could materially affect the franchise. No agreements currently in force significantly restrict our right to utilize or license the copyrighted materials. We are not required by any agreement to protect or defend any patent, trademark, or copyright.

We have no knowledge of superior prior rights or infringing uses that could materially impact your utilization of the copyrights in the state where your Hechalou Tea Shop is situated.

As a franchisee, you will be privy to proprietary information constituting our trade secrets. This proprietary information includes any Manuals, techniques, instructional materials, and curricula, alongside proprietary recipes, processes, policies, procedures, systems, data, and know-how pertaining to the establishment, operation, and franchising of Hechalou Tea Shops. It also includes Hechalou Tea Shop layouts and designs, specifications for any Hechalou-customized Products and Services, supplier lists, related agreements, pricing, and terms, as well as Trade Secrets and other non-public information concerning the Hechalou System or Hechalou Tea Shops.

Non-public information may include potential location plans, Hechalou System statistics, profits, financial data, marketing plans, business strategies, store performance information, customer lists, and related data for all Hechalou Tea Shops, alongside other operational data/information. Your Franchise Agreement mandates the maintenance of confidentiality for all such material during your tenure as a franchisee and thereafter. Moreover, you are prohibited from utilizing Hechalou intellectual property in any capacity beyond the operation of your Hechalou Tea Shops. You are obliged to implement reasonable procedures as requested by us to safeguard our secrets and confidential information.

You must notify us if you learn of an unauthorized use of our confidential information or any copyrighted work. We do not have to take any action against an unauthorized user, and we can respond as we deem appropriate. We have the sole right to control any administrative proceedings or litigation involving our confidential information or any copyrighted work. We do not have to indemnify you for losses brought by a third party concerning your use of this information. You must cooperate with us when requested.

In the event that we modify or discontinue any copyrighted work and require franchisees to do the same, you must comply to these changes at your own expense. You will have up to 30 days to implement these changes.

The domain name https://hechaloutea.com.tw/ is the exclusive property of ours or our affiliate(s), and you are prohibited from registering or utilizing any domain name or URL containing, utilizing, or displaying the terms "Hechalou," or any Marks or other terms or symbols associated with or confusingly similar to them without our express written authorization. Prior to selecting and employing any domain name(s) for your Hechalou Tea Shop, you must obtain our advanced written consent.

You are required to transfer all telephone numbers, email addresses, and domain names associated with our trademarks to us, and we retain ownership of them upon the expiration or termination of your Franchise Agreement. Additionally, we possess ownership of your client/customer lists and pertinent information, including contact details.

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

You are required to use your best efforts to promote and enhance the sales of Hechalou Tea Shop Products and Services. Either you or your Designated Owner must supervise the operations of your Hechalou Tea Shop and actively participate in its direct operation. We will deal with your Designated Owner regarding all matters pertaining to your Franchise Agreement or your Hechalou Tea Shop. Unless otherwise authorized by us, the Designated Owner must have and maintain an equity interest in your franchised business.

You must appoint at least three tea shop managers to oversee and manage your Hechalou Tea Shop, one of whom may be the Designated Owner. Each tea shop manager must complete the Initial Training Program satisfactorily by passing the relevant exams and/or tests. There are no restrictions on the selection of individuals as tea shop managers; they are not required to hold any ownership stake in your franchised business, but you are required to keep us informed of their identity.

You, your Designated Owner, your tea shop manager(s), and any other relevant staff members must hold food handler licenses or equivalent certifications, if mandated by state or local law. You bear responsibility for all aspects related to your Hechalou Tea Shop employees, including but not limited to: (a) wages, benefits, and other compensation; (b) hours of work and scheduling; (c) the assignment of duties to be performed; (d) the supervision of the performance of duties; (e) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (f) the tenure of employment, including hiring and discharge; (g) working conditions related to the safety and health of employees; and (h) the manner and means by which they carry out their duties.

You are obligated to uphold the assets and maintain the condition and appearance of your Hechalou Tea Shop at a standard consistent with our quality guidelines. If we determine that these standards are not being met, we reserve the right to notify you of such deficiencies and specify the timeframe within which they must be rectified. It is your responsibility to promptly address each deficiency within the stipulated timeframe as required by us.

These tea shop maintenance activities are separate from the tea shop update obligations, which must be fulfilled during each franchise term and as a prerequisite for renewal. Tea shop updates are designed to align your Hechalou Tea Shop with our latest new Hechalou Tea Shop standards, which may involve substantial structural renovations, remodels, and associated capital investments.

If you are a business entity franchisee, we require all of your owners to sign a personal guarantee of your performance. Similarly, we may require the same commitment from each of their spouses or domestic partners. While the current format of the personal guarantee is provided in Schedule B of the Franchise Agreement, please note that this format is subject to change.

You are required to ensure that anyone with access to Confidential Information signs a confidentiality and non-use agreement that we approve. For non-California franchisees, a non-compete, non-disclosure, and non-use agreement form for Owners is provided as Schedule D to the Franchise Agreement. For California Franchisees, this agreement is attached as Schedule E to the Franchise Agreement. These agreements impose competitive restrictions on Owners for a 2-year period following the termination of the Franchise Agreement, including prohibitions on operating, supporting, or having an interest in a business similar to a Hechalou Tea Shop, among other limitations.

We may furnish you with a proposed form of confidentiality agreement for tea shop managers and other relevant employees and agents. Upon our request, you must provide us with copies of executed confidentiality agreements.

You grant us and our affiliates an unrestricted, perpetual right, without charge, to use and license the use of any enhancement, adaptation, invention, publication, derivative work, modification, or new process developed or acquired by you or your employees/agents pertaining to any aspect of the Hechalou Tea Shop or its operation, instructional activities/recipes or formulas, or promotion.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only Products and Services approved by us at your Hechalou Tea Shop. Additionally, you must offer and sell all Products and Services we may require, which may change at our sole discretion.

You have the authority to set retail prices for your Hechalou Tea Shop, but we reserve the right to establish minimum and maximum prices within the bounds of applicable law. We may also provide pricing recommendations.

We will furnish you with a list of Approved Suppliers and retain the right to modify this list, as well as the approved Products and Services. Changes to the Hechalou System and mandatory requirements outlined in any Manual must be complied with, subject to our written consent.

Without our prior written consent, you may not establish any online presence, including websites, Internet directory listings, or social media accounts related to your Hechalou Tea Shop or the franchised business. Operating or engaging with online stores offering products or services similar to or competitive with those offered by Hechalou Tea Shops is prohibited.

There are no restrictions on the customers to whom you can offer and sell Products and Services, provided such transactions occur solely at your Hechalou Tea Shop and not through other distribution channels, including online platforms.

Upon our discretion, we may provide you with forms, agreements, and other materials for use in your Hechalou Tea Shop. However, we do not guarantee the legal sufficiency or quality of these documents, and you are responsible for ensuring their review by local counsel for your protection.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Sections In Franchise Agreement	Summary
a. Term of the franchise	Section 2.A	The term of your Franchise Agreement with us will commence on the Effective Date of the Franchise Agreement and will continue for a period of 5 years from the grand opening of your Hechalou Tea Shop. However, termination may occur earlier at the discretion of the Franchisor as outlined in section (f) below.
b. Renewal or extension of the term	Section 2.B	If you meet all conditions, you may renew the Franchise Agreement for an additional term of 5 years.
c. Requirements for you to renew or extend	Section 2.B	For renewal, you must be in compliance with all agreements with us, including successful completion of Franchisor's inspections and audits, adherence to standards applicable to new or renewing Hechalou Tea Shops, and securing the right to remain at the premises for the duration of the Renewal term. Additionally, you must satisfy any new franchisee qualification and training requirements, provide written notice of your intent to renew between 180 and 365 days before the expiration of the Initial Term, settle any outstanding dues to us or our Associates, execute a General Release in favor of us, our Associates, and related individuals, remit a Renewal Fee of $30,000, and sign the then-current form of Franchise Agreement, Renewal addenda, extension agreement, and/or related documents as determined by us. Please be aware that the terms and conditions of the renewal contract may differ materially from those of your original agreement.
d. Termination by you	Not applicable	You reserve the right to terminate the agreement based on any grounds permitted by law.
e. Termination by us without cause	Not Applicable	We cannot terminate without cause.
f. Termination by us with cause	Sections 16.A and 16.B	We reserve the right to terminate the Franchise Agreement if you default on any of your obligations.

Provision	Sections In Franchise Agreement	Summary
g. "Cause" defined – defaults which can be cured	Section 16.B	You have 5 days to cure monetary defaults, funds transfer account deficiencies, and defaults concerning Approved Suppliers or Products and Services, or to stop using unauthorized products or suppliers. You have 30 days to cure any other curable defaults or non-compliance with any other requirement. If you fail to cure within these timeframes, we may terminate your franchise.
h. "Cause" defined – defaults which cannot be cured:	Section 16.A	Non-curable defaults include: 1. Failure to have an Accepted Location within 180 days of the Effective Date of the Franchise Agreement or to open/operate the Hechalou Tea Shop by the Opening Period Deadline. 2. Making a material misrepresentation or omission in your franchise application. 3. Committing a felony or other offense likely to have an adverse impact on the franchise. 4. Unauthorized use or disclosure of Trade Secrets, Confidential Information, or Copyrighted Works. 5. Abandonment of the Franchised Business or failure to relocate after vacating the Accepted Location. 6. Unauthorized Transfer. 7. Submission of three or more falsified or inaccurate reports or other information. 8. Insolvency, receivership, bankruptcy, or assignment for the benefit of creditors. 9. Misuse of Marks or any act expected to impair the goodwill of the Marks. 10. Failure two or more times within a 12-month period to timely submit required reports or other information, to pay Royalty Fees or other amounts, or to comply with the Franchise Agreement, whether or not failures are corrected. 11. More than two written notices of default concerning Approved Suppliers or Products and Services, even if cured. 12. Any safety, health, or consumer protection violation. 13. Failure to comply with laws relating to the franchise. 14. Have assets, real property or other interests blocked in connection with any legal requirements relating to terrorist conduct or activities Failure to have, maintain, and provide proof of sufficient insurance.

Provision	Sections In Franchise Agreement	Summary
i. Your obligations on termination/ non-renewal	Section 17	Upon termination or expiration of your Franchise Agreement, you must: 1. De-identify as a Franchisee: Cease representing yourself as a present or former Hechalou franchisee. 2. Stop Using the Hechalou System and Marks: Discontinue all use of the Hechalou System and any Marks. 3. Cancel or Assign Assumed Names: Cancel or assign any assumed names containing Hechalou or any derivatives. 4. Pay Outstanding Amounts: Pay any amounts already due or incurred after termination/expiration, including our costs for collection, enforcement, damages, expenses, and attorneys' fees. 5. Return or Destroy Materials: Discontinue, return, and/or destroy any Manual, instructional program, marketing materials, and any items bearing the Marks as we direct. 6. Remove Online Presence: Discontinue and remove any domain names, email addresses, Internet key word purchases, social network pages, videos, and other publications using the Marks. 7. Comply with Covenants: Adhere to non-compete and other covenants, including restrictions on operating, participating in, or supporting a Similar Business related to the Franchised Business. 8. Assign Contact Information: Assign all phone and fax numbers, email addresses, and domain names to us. 9. Notify Service Providers: Inform the phone company and other listing agencies of the termination/expiration of your right to use phone/fax numbers, email addresses, domain names, and other directory listings associated with the Marks.
j. Assignment of contract by us	Section 18.A	There is no restriction on our right to assign.
k. "Transfer" by you – definition	Section 18.B	This includes the assignment, sale, gift, pledge, grant, or merger of any security, ownership, or other interest in the Hechalou Tea Shop, the Franchise Agreement, the franchisee, or a substantial portion of the assets.

Provision	Sections In Franchise Agreement	Summary
l. Our approval of your transfer	Sections 18.B	You must obtain our prior written approval.

Provision	Sections In Franchise Agreement	Summary
m. Conditions for our approval of transfer	Section 18.C and Section 18.D	The transferee must meet the following conditions: 1. Credit and Qualifications: The transferee must have a good credit rating and business qualifications and must meet our new franchisee standards. You must provide us with this information. 2. Training Fee and Program: The transferee must pay the then-current initial training fee, complete the Initial Training Program, and/or demonstrate the ability to operate the Hechalou Tea Shop. 3. Agreement and Guarantees: The transferee and its Owners must sign personal guarantees, as well as a new Franchise Agreement and/or a written assignment of your obligations under your Franchise Agreement. 4. Term Decision: We will decide whether the transferee’s term will be for the unexpired portion of your Franchise Agreement or the full term of a new Franchise Agreement. 5. Transfer Fee: We must receive a $10,000 Transfer Fee. 6. No Security Interest: You cannot own any security interest in the franchise after the transfer without our prior written consent. 7. Consent to Transfer: We can request that you and the transferee sign a consent to transfer. 8. No Competing Interests: The transferee cannot own interests in Similar Businesses or otherwise breach its Franchise Agreement. 9. Outstanding Amounts: All amounts due must be paid in full. 10. Ownership Interest Statement: Each certificate representing ownership interest in the transferee entity must include a statement that ownership interests are subject to the Franchise Agreement restrictions on transfer. 11. Approval for Ownership Interest Transfers: No interest in the transferee entity may be transferred or issued without our prior written request. 12. Compliance with Standards: The Hechalou tea Shop and its operations must be brought into full compliance with current standards for a new Hechalou Tea Shop. We do not charge a transfer fee for a one-time transfer to a wholly owned business entity formed by you, but additional conditions apply to this type of transfer to a business entity franchisee.

Provision	Sections In Franchise Agreement	Summary
n. Our right of first refusal to buy your business	Not applicable	None.
o. Our option to buy your business	Not applicable	None.
p. Your death or disability	Section 19	Your interest must be transferred to an approved third party within 180 days.
q. Non-competition covenants during term of franchise	Section 15.A, Section 15.B and Schedule B	Subject to applicable state law, you and the owners must not divert any customers, take any actions that could harm the goodwill of the marks, or have any involvement, or family involvement, in any similar business.
r. Non-competition covenants after franchise is terminated or expires	Section 15.C and Schedule B	For a period of 2 years following termination or non-renewal, you, your affiliates, family members, and owners are prohibited from involvement in a similar business within a 10-mile radius of your Hechalou Tea Shop or any other Hechalou Tea Shop location. (Subject to state law. See State Addendum, Exhibit E).
s. Modification of the agreement	Section 26	No modification to the Franchise Agreement shall be valid unless made in writing and signed by both parties. However, we reserve the right to unilaterally amend any Manual as deemed necessary.
t. Integration/merger clause	Section 26	Only the terms and conditions set forth in the Franchise Agreement are binding, subject to applicable state law. Any representations or promises made outside of this Disclosure Document and the Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 29	Except for claims seeking injunction and other provisional relief or actions for collection of undisputed payments, any claim arising out of or relating to the Franchise Agreement or its breach must be resolved by mediation. If mediation is not successful, the claim must then be resolved by binding arbitration in Los Angeles County, California. Waiver of punitive, exemplary, or multiple damages; class action waiver (subject to applicable state law).
v. Choice of forum	Section 28.B. and Section 29.C.	Los Angeles County, California (subject to applicable state law).

Provision	Sections In Franchise Agreement	Summary
w. Choice of law	Section 28.A.	California law applies, except for breaches of Sections 15.A, 15.B, and 15.C, in which case the law of the place where the breach occurs controls. No California franchise law applies unless the jurisdictional, definitional, and application requirements of the law are met independently of this franchise term.

ITEM 18. PUBLIC FIGURES

We do not utilize any public figure for the promotion of the franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets if there is a reasonable basis for the information and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) the 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 potential future income, you should report it to the franchisor’s management by contacting Rick Hsu, Chief Operating Officer, Hechalou International LLC, 430 South Garfield Avenue, Suite 489, Alhambra, California 91801, (626) 282-3700, rick.hsu@hechalou.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
Systemwide Outlet Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at Start of the Year	Outlets at End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total	2021	0	0	0
	2022	0	0	0
	2023	0	0	0

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

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

TABLE 3
Status of Franchised Outlets
For years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

TABLE 4
Status of Company-Owned Outlets
For years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Total	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

TABLE 5
Projected Openings as of December 31, 2023

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	1*	1*	0
Total	1	1	0

* This franchisee opened its Hechalou Tea Shop in March of 2024.

Attached as Exhibit C is a list of names, city and state and current business telephone numbers of all of our franchisees as of the date of this Disclosure Document. Since we have just begun franchising, we had no franchisee who had an outlet terminated, canceled or not renewed, or that otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or had not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees have signed confidentiality provisions in the last three years that would restrict their ability to speak openly about their experience with the Hechalou System.

There are no trademark-specific organizations formed by us or our franchisees that are associated with the Hechalou System.

ITEM 21. FINANCIAL STATEMENTS

We are in the first year of selling franchises. Accordingly, attached to this Disclosure Document as Exhibit A is our opening balance sheet prepared in accordance with U.S. Generally Accepted Accounting Principles and audited by an independent certified public accountant.

The franchisor has not been in business for three years or more and cannot include all the financial statements required by the FTC Franchise Rules for its last three fiscal years.

ITEM 22. CONTRACTS

Attached to this Disclosure Document are the following:

Exhibit A Financial Statements
Exhibit B Franchise Agreement and Schedules
  Schedule A. Franchisee Owners, Designated Owner and Accepted Location
  Schedule B. Guarantee and Assumption of Obligations
  Schedule C. Current Form of Releasing Language
  Schedule D. Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (Non-California Franchisees)
  Schedule E. California Addendum and Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (California Franchisees)
Exhibit C List of Current and Former Franchisees
Exhibit D State Franchise Law Administrators and Agents for Service of Process
Exhibit E State Specific Addendum
Exhibit F State Effective Dates
Exhibit G Receipt

ITEM 23. RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document are included at the end of the Disclosure Document as Exhibit G. Please sign and return one copy to us, and retain the other for your records.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

[see attached]

HECHALOU INTERNATIONAL LLC

FINANCIAL STATEMENT
AND
INDEPENDENT AUDITOR'S REPORT

AUGUST 27, 2024

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

INDEPENDENT AUDITORS' REPORT

To the Management and Member of
Hechalou International LLC
Dover, DE 19901

Opinion

We have audited the balance sheet of Hechalou International LLC (a Delaware limited liability company) as of August 27, 2024, and the related notes.

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Hechalou International LLC as of August 27, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statement, 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 statement.

- 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 Hechalou International LLC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hechalou International LLC's ability to continue as a going concern for a reasonable period of time.

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

JTC Accountancy Corp.

Temple City, California
September 19, 2024

HECHALOU INTERNATIONAL LLC
BALANCE SHEET
AUGUST 27, 2024

ASSETS		
Current Assets		
Cash and cash equivalents	$	100,955
Total Current Assets		100,955
TOTAL ASSETS	$	100,955
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Other payable	$	1,000
Loan from related party		90,000
Total Current Liabilities		91,000
TOTAL LIABILITIES		91,000
CONTINGENCIES		-
MEMBER'S EQUITY		
Contributed capital		10,000
Retained earnings		(45)
TOTAL MEMBER'S EQUITY		9,955
TOTAL LIABILITIES AND MEMBER'S EQUITY	$	100,955

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

NOTE 1 – THE COMPANY AND NATURE OF OPERATIONS

Hechalou International LLC (the "Company") was formed on April 22, 2024 in the State of Delaware. The Company was formed for the purpose of franchising a business brand name engaging in the operation of food and beverage stores. The Company's fiscal year ends on December 31st.

The Company's operations are regulated by the Federal Trade Commission ("FTC") and various state laws regulating the offer and sale of franchises. The FTC's franchise rules and various state laws require that the Company furnish a franchise disclosure document containing certain information to prospective franchisees. The Company must also complete franchise registrations, pursuant to state laws, in those states where franchises are intended to be sold.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Basis of Presentation

The Company's financial statement consists solely of the balance sheet of Hechalou International LLC. The accompanying financial statement has been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statement in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of balance sheet. Because future events and their effects cannot be determined with certainty, actual results could differ from those estimates.

Cash and cash equivalents

The Company's cash and cash equivalents consist primarily of cash on hand. The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Company maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation.

Fair Value Measurement

Financial Accounting Standards Board ASC 820-10, Fair Value Measurements and Disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Valuation of these instruments does not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily and regularly available.
- Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable as of the measurement date, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Valuations based on inputs that are unobservable and not corroborated by market data. The fair value for such assets and liabilities is generally determined using pricing models, discounted cash flow methodologies, or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability.

The carrying amounts of the Company's cash, other payable, and loan from member approximated their fair value due to the short-term nature of these financial instruments.

Income Taxes

The Company is a limited liability company ("LLC") elected to be taxed as a C-Corporation. The applicable federal income tax rate for the Company is 21%. The Company is subject to federal, state, and local income tax examinations by tax authorities from inception. No examinations are currently pending.

Concentration of Credit Risk

The Company maintains its cash with financial institutions in the United States. In the United States, the standard insurance amount is $250,000 per depositor in a bank insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company limits its exposure to this credit risk exists with respect to cash. As of August 27, 2024, the Company has not experienced any losses related to this credit risk.

NOTE 3 – MEMBER'S EQUITY

The Company is 100% owned by Hechaloutea Co., Ltd., a Taiwan-based company mainly engaged in franchising the brand "HE CHA LOU" for the business of tea beverage stores. The initial capital contribution was $10,000. As of August 27, 2024, the total capital contributed was $10,000.

NOTE 4 – LOAN FROM RELATED PARTY

As of August 27, 2024, the Company had $90,000 due to Hechaloutea Co., Ltd. The loan was unsecured, borne no interest, and due on demand.

NOTE 5 – SUBSEQUENT EVENTS

The Company evaluated subsequent events through September 19, 2024, the date when the financial statements were available for issuance. It concluded that there were no material recognizable subsequent events requiring disclosure or adjustment as of August 27, 2024.

EXHIBIT B TO THE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

[see attached]

HECHALOU INTERNATIONAL LLC

FRANCHISE AGREEMENT

Franchisee:______________________________

Effective Date of Agreement:________________

Expiration Date:__________________________

HECHALOU TEA SHOP

FRANCHISE AGREEMENT

This Franchise Agreement (this "***Agreement***") is made and entered into on _________, 20__ (the "***Effective Date***") by and between Hechalou International LLC, a Delaware limited liability company with its principal address at 430 South Garfield Avenue, Suite 489, Alhambra, California 91801 ("***Franchisor***"), and ___________________________, a __________________________________ with a principal address of ____ ("***Franchisee***").

WHEREAS, Franchisor and its affiliates have developed a distinctive system for the operation of a tea shop that features milk tea, fruit tea, boba tea, tea jellies and other specialty items, as well as other complementary menu items, as designated by the Franchisor (the "***System***");

WHEREAS, the System includes the HECHALOU™ trademarks (the "***Marks***"), training programs and materials, product and supplier resources, recipes, menu item preparation and service techniques, branded packaging and any proprietary mixes/ingredients, operations methods and techniques, proprietary information and trade secrets and manual(s), if any, (individually and collectively, the "***Manual***"), as well as know-how regarding the operation and management of a HECHALOU™ tea shop;

WHEREAS, Franchisee wants to obtain a franchise to operate a retail tea shop using the System and providing the products and services approved by Franchisor for sale under the Marks (a "***Tea Shop***");

WHEREAS, Franchisor is willing to grant Franchisee a HECHALOU™ franchise on the terms contained in this Agreement (the "***Franchise***"); and

WHEREAS, certain capitalized terms used in this Agreement are defined in Section 35 below.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Grant of Franchise.

A. Grant. Franchisor grants to Franchisee, and Franchisee accepts, the non-exclusive right to use the System and Marks only for the establishment and operation of a Tea Shop using and selling Franchisor-approved Products and Services from the Accepted Location (the "***Franchised Business***"). The Accepted Location, as defined in Section 3.A below, is to be identified on Schedule A to this Agreement, which is a part of this Agreement. Franchisee shall not open or operate any additional Tea Shops or engage in any resale and/or sublicensing or franchising of the Marks, System, any Manual, or any other elements of the Franchise. Franchisee shall not provide any Products or Services from or at a location other than the Accepted Location, except as authorized in writing by Franchisor in its sole discretion. Franchisee must not conduct any activities from or at the Tea Shop other than the operation of a HECHALOU™ Franchised Business without Franchisor's prior written consent.

B. No Grant of Territory; Rights Reserved by Franchisor and Franchisor Associates.

(i) Franchisee acknowledges and agrees that the Franchisee's license to use the Marks and the System as provided in this Agreement is non-exclusive. Franchisee is not awarded an "exclusive territory" or any "exclusive," "protected" or "reserved" territorial rights under this Agreement. No such rights are granted or will be inferred. Franchisor and Franchisor Associates have the right to locate, and to license others to locate, and operate anywhere HECHALOU™ Tea Shops or any other type of business under the Marks or any other brand, regardless of their proximity to or competition with Franchisee's Tea Shop. Franchisor and Franchisor Associates have the right to use, and to license others to use, any distribution channels of any type for the sale of any and all kinds of goods and services, including, but not limited to, grocery outlets and the Internet, whether or not using the Marks or System.

(ii) Franchisor and Franchisor Associates can acquire, be acquired by, merge, affiliate or co-brand with, or engage in any transaction with other businesses with outlets located anywhere, whether or not competitive or franchised. Franchisee agrees to participate at Franchisee's expense in any brand/chain conversion, as Franchisor requires.

(iii) Franchisor and Franchisor Associates reserve all rights not expressly granted to Franchisee or expressly precluded under this Agreement.

2. Term and Renewal.

A. ***Term***. The Term of this Agreement starts on the Effective Date and expires on the fifth (5th) anniversary of the grand opening of the Tea Shop (the "***Initial Term***"). Notwithsanding the foregoing, this Agreement can be terminated sooner as provided in Section 16.

B. ***Renewal***. Franchisee has the right to a successor Franchise at the expiration of an Initial Term of the Franchise for one (1) additional five (5) year term (a "***Renewal***"), so long as Franchisee satisfies the following conditions before and at Renewal, as required by Franchisor. Franchisee shall:

(i) be in full compliance with this Agreement, the mandatory terms of any Manual and any and all other agreements with Franchisor and any Franchisor Associate (including passing Franchisor's inspections and audits);

(ii) by the Expiration Date of this Agreement have brought the Tea Shop and its Equipment and other operating assets into full compliance with the specifications and standards then applicable for a new or renewing Tea Shop, as established by Franchisor, including any Tea Shop Update then required by Franchisor for Franchisee's Tea Shop to meet then-current standards and specifications;

(iii) prove to Franchisor's satisfaction that Franchisee has the right to remain in possession of the Tea Shop premises for the duration of the Renewal term;

(iv) comply with Franchisor's then-current qualification and training requirements;

(v) have given written notice of Franchisee's desire to renew to Franchisor at least one hundred eighty (180) days, but not more than three hundred sixty five (365) days, before the Expiration Date of the Initial Term;

(vi) have paid all amounts due to Franchisor and any Franchisor Associate up to and through any Renewal date;

(vii) have signed, along with all Franchisee Owners (if Franchisee is a Business Entity) and any Franchisee Affiliates, a General Release in favor of Franchisor and Franchisor Associates and related persons in a form specified by Franchisor;

(viii) have paid Franchisor by the Expiration Date a Renewal fee of twenty thousand dollars ($20,000) (the "***Renewal Fee***"); and

(ix) have signed Franchisor's then-current form of franchise agreement, Renewal addendum, and/or extension agreement, as then required by Franchisor in its sole discretion, and any related documents then customarily used by Franchisor for a Renewal Franchise, the terms of which may differ from the terms of this Agreement in material ways (including possibly different payment amounts or arrangements and new fee requirements). Any new form of franchise agreement may be modified to the extent Franchisor considers appropriate to reflect the grant of the Renewal term.

C. Notice of Deficiencies; Franchisor Extension. Within forty-five (45) days after receipt of Franchisee's written renewal notice, Franchisor shall provide Franchisee with written notice of (i) any reasons that could cause Franchisor not to permit Renewal; and (ii) Franchisor's then-current image, facility standards and other requirements for the Tea Shop or its operations. Franchisor's award of a successor Franchise to Franchisee is conditioned on Franchisee's timely compliance with these requirements as prescribed in the notice and all terms of this Agreement. Franchisor can extend the term of this Agreement in its sole discretion to be consistent with the terms of any such notice or to comply with applicable franchise laws. Franchisor is not obligated to grant Franchisee a successor franchise if Franchisee fails to deliver to Franchisor a notice of election to renew, as provided in Section 2.B(v) above.

3. Tea Shop Location and Development.

A. Proposed Tea Shop Locations and Site Review; Franchisor's Written Acceptance Required. Franchisee shall operate a Tea Shop at a location accepted by Franchisor (the "***Accepted Location***"). If the Accepted Location has not been identified at the time this Agreement is signed, Franchisee must notify Franchisor in writing of a proposed location and review the specifics of the site with Franchisor. Any acceptance of a proposed site by Franchisor must be in writing. Franchisee is solely responsible for identifying a suitable location for the Tea Shop and for obtaining Franchisor's written acceptance of the proposed location within one hundred eighty (180) days of the Effective Date of this Agreement. If Franchisee and Franchisor do not agree on an Accepted Location within one hundred eighty (180) days of the Effective Date of this Agreement and Franchisor has not granted a written time extension, Franchisor can elect to terminate this Agreement and return the Initial Franchise Fee, less Twenty Thousand Dollars ($20,000.00), paid by Franchisee, so long as Franchisee and Franchisee Owner(s), if applicable, sign a mutual termination agreement and a General Release in a form satisfactory to Franchisor. The Post-Termination Provisions of this Agreement will survive such mutual termination. Any proposed relocation of Franchisee's Tea Shop also requires Franchisor's written acceptance and will be subject to the same review, leasing and development requirements described in this Section 3 as are applicable to Franchisee's initial Accepted Location.

B. Tea Shop Development. Franchisee must meet any Tea Shop development standards and specifications Franchisor establishes, which may relate to Tea Shop design, decoration, facility layout, equipment, furniture, fixtures, signs and other items for the Tea Shop. Franchisee shall obtain Franchisor's prior written approval of site specific drawings/plans before beginning construction. Franchisor will provide a three dimensional rendering for Tea Shop design concept and assist with or consent to (or not) any proposed deviations. Franchisee must engage a competent licensed general contractor to build out the Tea Shop. Franchisee shall cooperate with and permit Franchisor or its designees to enter the Tea Shop premises during normal business hours, with prior notice to Franchisee and without causing any undue interruption, to inspect and evaluate any Tea Shop construction for compliance with System Standards and other Franchisor requirements. Franchisor or its designee will give Franchisee notice of any deficiencies, and Franchisee agrees to correct them promptly at Franchisee's expense, subject to the terms and conditions of this Agreement. All matters related in any way to Franchisee's site, its development, construction and equipment are Franchisee's sole responsibility, including related costs and expenses. Franchisee must purchase or lease and install all Equipment, signage, supplies and inventory Franchisor requires prior to opening the Tea Shop. The Tea Shop must comply with all applicable local, state, and federal laws, including without limitation the Americans with Disabilities Act ("***ADA***"). Franchisee is solely responsible for identifying and obtaining all required building, utility, sign, health, sanitation, and other business permits and licenses required for the Tea Shop. Any proposed revisions to the Tea Shop premises and plans as previously approved by Franchisor must be submitted to Franchisor for review for consistency with development standards and for Franchisor's prior written authorization.

C. Opening Requirements. Franchisee must occupy the Accepted Location and be open for business to the general public as a HECHALOU™ Tea Shop within twelve (12) months of the Effective Date of this Agreement (the "***Opening Period Deadline***"), unless otherwise authorized by Franchisor in writing. Franchisor can terminate this Agreement if Franchisee fails to comply with the Opening Period Deadline, in its sole discretion. Prior to opening and for so long as Franchisee has a HECHALOU™ Franchise, Franchisee shall obtain and maintain all insurance, licenses, permits and approvals needed to conduct the Franchised Business lawfully at the Tea Shop and in compliance with this Agreement (including health and food service legal requirements); make leasehold improvements; hire personnel; and obtain and install all necessary Computer Systems, Equipment, Products and other inventory and furnishings needed to start and operate the Tea Shop in compliance with all applicable Franchisor standards and specifications and this Agreement. Franchisee shall not open its Tea Shop to the public without Franchisor's prior written authorization, which shall require that (i) the Initial Franchise Fee, Tea Shop Pre-Opening Fee and any other amounts due Franchisor have been paid; (ii) Franchisor has determined that the Tea Shop development requirements have been met to Franchisor's reasonable satisfaction; and (iii) certificates of insurance coverage consistent with Section 14.A below have been received by Franchisor.

4. Training Program.

A. Initial Training Program. The person identified on Schedule A as Franchisee's Designated Owner must have an equity interest in the Franchised Business and must successfully complete Franchisor's Initial Training Program and obtain all applicable state or local certifications required for the operation of the Franchised Business. The Designated Owner must identify and supervise at least three (3) other managers ("***Tea Shop Managers***") if the Designated Owner is also a Tea Shop Manager. If the Designated Owner is not a Tea Shop Manager, the Designated Owner must identify and supervise a minimum of four (4) Tea Shop Managers. The Franchisee's Designated Owner, and at least three (3) additional Tea Shop Managers must successfully complete the Initial Training Program. Franchisee agrees to train all other Tea Shop staff in the skills and subject areas required of their positions and to ensure that at least one employee with a food handler course or equivalent certification as may be required under state or local law is on Tea Shop premises during all operating hours. Franchisor shall make an Initial Training Program available to a reasonable number of attendees without charging initial training fees, all of whom shall participate in the program at the same time. Notwithstanding the foregoing, Franchisee must reimburse Franchisor, upon demand, for air/ground transportation and lodging, plus a per diem of Two Hundred Dollars ($200.00) per day, for each of Franchsior's trainer(s) who will conduct the Initial Training Program on-site at the Tea Shop for a period of four (4) weeks (three (3) weeks immediately preceding the grand opening of the Tea Shop and one (1) week immediately following the grand opening of the Tea Shop). Any subsequent participants shall be charged Franchisor's then-current Initial Training Program fee. Franchisee will be responsible for all expenses Franchisee and Franchisee's personnel incur while attending an Initial Training Program and any other instructional or informational programs, remedial training, seminars or meetings/conventions Franchisor may provide. Franchisee is solely responsible for hiring sufficient personnel to adequately staff the Tea Shop. If the Tea Shop is not operating according to System Standards, Franchisor reserves the right to require the Designated Owner and/or any applicable Tea Shop Manager to participate in remedial initial training instruction. Franchisee is responsible for payment to Franchisor of the then current fee for any such remedial instruction, as published in any Manuals or through other written communication to Franchisees, as well as for any incidental costs that Franchisor and/or Franchisor's personnel may incur, such as lodging, transportation, and other related expenses.

B. Additional Programs and Possible On-Site Assistance. Additional training services or programs, if any, shall be offered at Franchisor's sole discretion. Franchisor can charge a reasonable fee for any additional instructional programs, the amount of which will be published in any Manuals or through other written communication to Franchisees. On-site consultation services may be available in Franchisor's sole discretion and subject to Franchisor availability. Franchisee must pay Franchisor's then-current consulting fee and any incidental expenses incurred by Franchisor's personnel participating in any such additional on-site consultation, including, without limitation, costs of transportation, lodging, and other living expenses. Franchisor can require the Designated Owner, Tea Shop Managers and/or other Franchisee's employees to attend additional programs offered on-line or at Franchisor headquarters or another location selected by Franchisor from time to time so they remain up to date on Products and Services and brand standards. Franchisee will be required to pay any then-current participation fees, as published in any Manual or through other written communication to Franchisees. Franchisee is responsible for all incidental costs that Franchisor and/or Franchisor's personnel may incur in connection with any training program, such as lodging, transportation, and other related expenses.

C. Additional Guidance. Franchisor will provide general guidance regarding the operation of Franchisee's HECHALOU™ Tea Shop to the extent Franchisor determines appropriate. This guidance can be furnished in whatever manner Franchisor selects, including electronically, in writing or telephonically, through web-based programs, and/or on-site consultations, among other methods.

5. Marks.

A. Goodwill and Ownership of Marks. Franchisor and Franchisor Associates developed at great expense and owns or is licensed to sublicense all of the elements of the System and the Marks. Franchisor is licensed to grant to Franchisee, and Franchisee is hereby granted, a non-exclusive right to use the Marks and System as expressly authorized under this Agreement. Nothing in this Agreement grants Franchisee any right, title or interest in the Marks or System, and Franchisor and Franchisor Associates have all rights in and to the Marks and System. All goodwill related to the Marks belongs exclusively to Franchisor or Franchisor Associates and any use of the Marks by Franchisee inures to Franchisor's/ Franchisor Associates' benefit. Franchisee agrees not to oppose or engage in any acts or omissions inconsistent with this Agreement or Franchisor's/ Franchisor Associates' rights in and to the Marks. This Agreement applies to all trademarks, service marks and other commercial symbols that Franchisee may be authorized to use under this Agreement throughout the Term.

B. Limitations and Use of Marks. Franchisee agrees to do business under “HECHALOU™” and such other Marks as Franchisor may prescribe. HECHALOU™ shall be the sole identifier for Franchisee’s Tea Shop and displayed without any accompanying words or symbols, other than as may be approved by Franchisor in its discretion. Franchisee will not use any Mark, or modified version or derivative of a Mark, as part of its legal name or any other business entity name. Franchisee shall give such trademark registration and other notices, including notices of independent ownership, as Franchisor directs and shall obtain fictitious or assumed name registrations as may be required under law. Franchisee will display the Marks in compliance with Franchisor’s requirements and will not use the Marks so as to negatively affect their goodwill. Franchisee agrees not to use any Mark in connection with the performance or sale of any unauthorized services or products or at any location or in any other manner not authorized in writing by Franchisor. Franchisee agrees not to use any Mark on or in connection with any web site/page, domain name, site directory, e-mail address or other electronic display/use, without Franchisor’s advance written consent, which Franchisor has an unrestricted right to withhold. Franchisee will comply with all policies and requirements established by Franchisor regarding Internet key word purchases, social network pages, e-mail protocol, web pages, websites, videos, digital content or any other publication on the Internet in which the Marks are used or mentioned. Upon termination or expiration of this Agreement, Franchisee will cease all use of the System and all use of the Marks in all media, including, but not limited to, websites, web pages and social media. Franchisee will instruct in writing all online directories, search engines, and other advertising publishers as necessary to take down and remove any directory listings and advertisements for Franchisee containing the Marks and will not use or authorize the use of links or similar reference devices associated with any use of the Marks. Franchisee will deliver copies of such instructions to Franchisor within seven (7) days of the termination or expiration of this Agreement. These requirements survive the termination or expiration of this Agreement. Franchisee agrees that electronic commerce is a rapidly developing field and that Franchisor can impose conditions and requirements in addition to the provisions of this Section 5.B and may establish and modify policies concerning use of the Internet and various media, and Franchisee will comply with all such policies.

C. Notification of Infringements and Claims. Franchisee agrees not to take any action that jeopardizes Franchisor or Franchisor Associates’ interests in, or the validity or enforceability of, the Marks. Franchisee agrees to immediately notify Franchisor of any apparent or actual infringement of, or of any challenge to Franchisee’s use of, the Marks. Franchisor or Franchisor Associates will take such action as either of them deems appropriate in its sole and absolute discretion. As owner of the Marks, Franchisor and Franchisor Associates have the exclusive right to control any settlement, litigation or proceeding arising out of or related to any such matters and shall be entitled to all damages awarded based on infringement of any Mark. Franchisee shall cooperate with Franchisor and Franchisor Associates to protect Franchisor’s/ Franchisor Associates’ interests in the Marks and shall assist Franchisor or Franchisor Associates in connection with any litigation involving the Marks to the extent requested by and at the expense of Franchisor or Franchisor Associate, as applicable.

D. Changes in Marks. Franchisor can require Franchisee to discontinue, modify, substitute or add any Mark, and Franchisee will comply at Franchisee’s expense within thirty (30) days of receipt of notice thereof. Franchisor cannot and does not guarantee that a modification, discontinuance or other change may not be required at any time for any reason. Franchisor and Franchisor Associates will not have any liability or obligation to Franchisee for or related to any modification, discontinuance, substitution, change or otherwise in connection with or to any Marks.

6. **Ownership and Use of Copyrights**.

Franchisee acknowledges and agrees that Franchisor and Franchisor Associates own or are the licensee of works that are protected by copyright law and that Franchisor and Franchisor Associates may create, acquire or obtain licenses for additional works subject to copyright law that Franchisee may use in operating the Tea Shop (the "***Copyrighted Works***"). The Copyrighted Works include any Manual, training curriculum, and any proprietary recipes, formulas, preparation techniques, advertisements and promotional materials developed by or licensed to Franchisor and Franchisor Associates. Franchisee shall notify Franchisor immediately on learning of any unauthorized use of any of the Copyrighted Works. Franchisor and its licensor, as applicable, shall have the right, but not the obligation, to take such action as they deem appropriate, if any, with regard to the possible unauthorized use. Franchisee shall reasonably cooperate with Franchisor to protect Franchisor's/its licensor's interests in the Copyrighted Works.

7. **Manual**.

A. Manual Publication. While Franchisor has no obligation to produce a manual or a similar document, if Franchisor chooses to publish any Manual, Franchisor shall lend to Franchisee one (1) copy of any such Manual. Franchisor can choose to provide Franchisee with a hard copy of, or electronic, on-line access to, any Manual, which may consist of one (1) or more separate manuals and other materials as designated by Franchisor. Any Manual will contain mandatory and suggested specifications, standards, and operating procedures that Franchisor develops for a Tea Shop and information related to other obligations of a HECHALOU™ franchisee. Franchisor has the right to add to and otherwise modify a Manual in any manner, and Franchisee will comply with any mandatory changes as specified by Franchisor and at Franchisee's sole expense. Franchisor's master copy of any Manual will control in the event of any dispute regarding the Manual.

B. Franchisee's Control. Franchisor and Franchisee acknowledge and agree that Franchisor neither dictates nor controls labor or employment matters for Franchisee and Franchisee employees, including, but not limited to those matters related to (a) wages, benefits, and other compensation; (b) hours of work and scheduling; (c) the assignment of duties to be performed; (d) the supervision of the performance of duties; (e) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (f) the tenure of employment, including hiring and discharge; (g) working conditions related to the safety and health of employees; and (h) the manner and means by which they carry out their duties. Nothing contained in this Agreement shall be construed or interpreted so that (i) any of Franchisee's employees becomes or is deemed to be an employee or agent of Franchisor or (ii) Franchisor has any direct or indirect control over, or any direct or indirect authority to control, Franchisee's employees. Franchisee further acknowledges and agrees that any personnel and security-related policies or procedures in any Manual or other written information from Franchisor are for Franchisee's optional use and are not mandatory provisions. It is Franchisee's sole responsibility to determine to what extent, if any, any such policies and procedures described in any Manual or otherwise by Franchisor might be applicable to operations at Franchisee's Tea Shop. Franchisor and Franchisee agree that neither is, nor will be deemed to be, a joint employer with the other and Franchisee will defend, indemnify and hold harmless Franchisor and Franchisor Associates with respect to any such or similar claims against any or all of them.

8. **Confidential Information; Non-Disclosure and Non-Use**.

A. "Confidential Information" Defined. Confidential Information includes in any form current and future:

(i) any Manual, techniques, processes, instructional materials and curricula, policies, procedures, systems, data, and know-how regarding the establishment, operation and franchising of HECHALOU™ Tea Shops;

(ii) HECHALOU™ layouts and designs, specifications for any HECHALOU™ customized Products and Services, and supplier lists and related agreements, pricing and terms; and

(iii) Trade Secrets and other non-public information regarding the System or HECHALOU™ Tea Shop, including potential location plans, System statistics, profits, financial data, marketing plans, business strategies, proprietary recipes, formulas and mixtures, cooking and preparation processes, Tea Shop performance information, customer lists and related data for all HECHALOU™ Tea Shops, and other operating data/information, all of which is owned by and proprietary to Franchisor or a Franchisor Associate, as applicable.

B. Exclusions. "Confidential Information" is not intended to include any information that:

(i) is or subsequently becomes publicly available other than by Franchisee or Franchisee Owner's breach of any obligation;

(ii) was known by Franchisee or any Franchisee Owner prior to Franchisee becoming a HECHALOU™ franchisee;

(iii) became known to Franchisee or any Franchisee Owner other than through a breach by Franchisee or any Franchisee Owner of a legal obligation; or

(iv) is independently developed by Franchisee.

For avoidance of doubt and notwithstanding any other term of this Agreement, Franchisee acknowledges that Franchisee's customer lists and related data are owned by Franchisor. Franchisee's only interest in any of Franchisor's or any Franchisor Associate's Confidential Information or in any Trade Secret is the right to use it pursuant to this Agreement.

C. Franchisee Covenants. Both during and after the term of this Agreement, Franchisee agrees: (i) to use the Confidential Information and any Copyrighted Works only for the operation of Franchisee's Tea Shop as authorized under this Agreement; (ii) to maintain the confidentiality of the Confidential Information; (iii) not to make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information and/or any Copyrighted Works; (iv) not to alter, appropriate, use and/or distribute any Confidential Information or Copyrighted Works except as authorized by Franchisor; and (v) to implement all procedures Franchisor reasonably prescribes for prevention of unauthorized use or disclosure of the Confidential Information and Copyrighted Works.

D. Franchisee and Franchisee's Employees and Agents. Franchisee shall notify each of its employees, Tea Shop Managers and Owner(s) of Franchisee's obligations with respect to the covenants provided under this Section 8. To the extent permitted by law and if so required by Franchisor, Franchisee agrees to cause anyone who has access to Confidential Information to sign a form of confidentiality and non-use agreement in a form as may be reasonably approved by Franchisor. Franchisee shall take such measures to guard any HECHALOU™ Confidential

Information and Copyrighted Works against misuse or misappropriation as Franchisee does for Franchisee's own confidential information and intellectual property, but no less than reasonable measures. Additionally, Franchisee hereby grants to Franchisor and Franchisor Associates the unrestricted, perpetual right without charge to own, use and license the use of any enhancement, adaptation, invention, publication, derivative work, modification or new process developed or acquired by Franchisee or its employees/agents/suppliers concerning any aspect of the Tea Shop or its operation, menu items, instructional activities/curricula/recipes or promotion.

E. Enforcement. If any court of competent jurisdiction deems the duration of the non-disclosure requirements of this Section 8 overbroad, Franchisee will comply with such requirements with respect to such Confidential Information during and for a period of two (2) years following the Term of this Agreement and, with respect to any Trade Secret, for so long as its Trade Secret character is retained.

9. System Standards and Changes.

Franchisee understands that it is important for the System to be flexible to respond to commercial opportunities and challenges. Franchisee agrees to comply with mandatory provisions of any Manual, the System and System Standards as they are changed and understands that such changes may require additional investments by Franchisee. Franchisee shall operate the Tea Shop in compliance with any mandatory HECHALOU™ procedures, policies, methods and requirements established by Franchisor and published in any Manual or otherwise to promote System Standards, to protect or maintain the goodwill associated with the Marks, to meet competition and/or otherwise as Franchisor considers appropriate. Franchisor has the unrestricted right to change, eliminate or modify any elements of the System, any Manual or the Marks. Franchisee has the sole responsibility for managing the daily operations of the Tea Shop and for implementing and maintaining System Standards. System Standards may involve requirements relating to Product preparation, storage, handling, packaging and storage; catering and delivery services (if approved); signage; use and display of the Marks; logo wear requirements; hours of operation; required participation in research, surveys, campaigns, conventions and promotions; payment systems and check verification services; bookkeeping and accounting systems; and other aspects of the Tea Shop and its operations that Franchisor determines to be beneficial to the System or the establishment and preservation of good will and image associated with the Marks. Without limiting the foregoing, Franchisee shall, in all dealings with its customers, suppliers, Franchisor and the public, adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. Franchisee acknowledges that without Franchisee's commitment to the System and to fulfill each of the obligations detailed in this Agreement, Franchisor would not form this franchise relationship with Franchisee.

10. Tea Shop Marketing.

A. Marketing and Tea Shop Pricing. All advertising and promotion for Franchisee's Tea Shop must be conducted in a professional and ethical manner and conform to the highest ethical advertising standards and any policies Franchisor establishes from time to time. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the business of Franchisor and the goodwill associated with the Marks and other HECHALOU™ outlets. Franchisor reserves the right to require that Franchisee obtain Franchisor's prior written approval before publishing any advertising, marketing or promotional material or information in any medium which displays the Marks, including social media. Franchisee shall have the right to establish Tea Shop retail prices; provided, that Franchisor reserves the right to establish minimum and maximum prices to the extent permitted under applicable law. Franchisor also may recommend pricing. Franchisee agrees not to use any materials, publications, promotions or programs disapproved by Franchisor. Franchisee agrees to participate at Franchisee's expense in any advertising/marketing campaigns implemented by Franchisor, including any such campaigns involving discount coupons or other customer incentives.

B. Gift Card, Certificates and Customer Loyalty Programs. Franchisee agrees not to implement any gift card, gift certificate, customer loyalty or similar rewards program for its Tea Shop without Franchisor's prior written approval or as may be authorized in any Manual or through other written communication to franchisees. Franchisor can condition any such consent upon Franchisee's compliance with or inclusion of particular program terms or practices designed to protect the good will associated with Marks. Franchisee agrees to accept credit cards, debit cards, and such other means of payment; to sell and accept Franchisor approved gift cards, gift certificates, and other comparable items, as provided or designated by Franchisor or which are prepared using any standard form Franchisor prescribes; and to abide by the terms of any gift card or gift certificate or loyalty program Franchisor specifies, all as provided in any Manual or through other written communication to franchisees and at Franchisee's expense, including without limitation all policies and procedures relating to sales, issuance and redemption and payment of related fees and costs. Franchisee agrees to honor gift cards in the form Franchisor provides or approves, if any, regardless of whether issued directly or indirectly by Franchisee, Franchisor or another HECHALOU™ Tea Shop, and to timely make any payments due to Franchisor or a designee for gift cards sold by Franchisee and to comply with processes for requests for reimbursement for goods and services sold in exchange for gift cards. Franchisee agrees to purchase or lease, install and use all equipment components and software that meet any standards and specifications Franchisor establishes and which allow Franchisee to accept and process any such gift/loyalty cards, certificates or programs as Franchisor may require. Franchisee shall give Franchisor independent access to the related system information thereof.

C. The HECHALOU™ Website(s) and Related Policies. Franchisor can, but is not obligated to, license, create and/or maintain a HECHALOU™ website(s) (individually and collectively, the "***HECHALOU™ Website***"). Franchisee will participate in and provide Franchisor pertinent information for content development of any such HECHALOU™ Website, subject to usage, privacy and other system policies and procedures, as provided by Franchisor in any Manual or otherwise. Franchisor will have no liability for failures, errors or other occurrences relating to any system, program, or HECHALOU™ Website, or to any computer hardware or software, even if recommended, maintained, created and/or specified by Franchisor. Franchisee shall not establish any website, Internet directory listing or any other presence on the Internet relating to the Tea Shop or the Franchised Business or publish any information or statements using the Marks in any manner, including but not limited to social networks and related media, without the prior written consent of Franchisor. Franchisee acknowledges that the domain names https://hechaloutea.com.tw/ is Franchisor or Franchisor Associates' sole property, and Franchisee shall not register or use any domain name or URL that contains, uses or displays the words "HECHALOU" or any Marks or other words or symbols related or confusingly similar to any of the foregoing without the express written authorization of Franchisor. Franchisee must seek Franchisor's advance written approval when selecting and using any domain name(s) for the Franchise's use contemplated under this Agreement. On termination or expiration of this Agreement any previous consent or approval given by Franchisor to use a domain name as provided herein, if any, shall automatically terminate, and Franchisee shall take all actions that Franchisor requires to disassociate Franchisee from the HECHALOU™ Website and domain name immediately upon termination or expiration of this Agreement. This provision shall survive the termination or expiration of this Agreement.

D. Marketing Policies. Franchisor's policy as of the Effective Date of this Agreement is to allow Franchisee to market to customers located anywhere, but Franchisor reserves the right to change this policy and to implement other marketing policies and requirements from time to time. Franchisee agrees to comply with any such mandatory policies and requirements as they may be implemented or modified.

11. Fees.

A. Initial Franchise Fee. Upon the execution of this Agreement, Franchisee shall pay Franchisor by electronic funds transfer or as otherwise instructed by Franchisor an Initial Franchise Fee in the amount of Forty Thousand Dollars ($40,000). The Initial Franchise Fee is fully earned and payable when this Agreement is executed and is non-refundable, except as provided in Section 3.A.

B. Tea Shop Pre-Opening Fee. Upon the execution of this Agreement, Franchisee shall pay Franchisor by electronic funds transfer or as otherwise instructed by Franchisor a Tea Shop Pre-Opening Fee in the amount of Three Thousand Dollars ($3,000). The Tea Shop Pre-Opening Fee is fully earned and payable when this Agreement is executed and is non-refundable.

C. Reimbursement of Expenses and Per Diem for Trainer(s). Upon demand, Franchisee will reimburse Franchisor for air/ground transportation and lodging, plus a per diem of Two Hundred Dollars ($200) per day, for each of Franchisor trainer(s) who will conduct the Initial Training Program on-site at the Tea Shop as further described in Section 4.A above.

D. Royalty Fee. Beginning with the calendar month in which the Tea Shop opens and throughout the Term of this Agreement, Franchisee shall deliver to Franchisor a Gross Revenues Report, as provided in Section 12.B below, and pay Franchisor a Royalty Fee without offset, credit or deduction of any nature. Such Royalty Fee shall be payable to and received by Franchisor by the seventh (7th) day after each royalty period and be equal to five percent (5%) of Franchisee's Gross Revenues in the immediately preceding Royalty Fee period. The time period covered by a Royalty Fee period may be changed by Franchisor (e.g., to a calendar week, etc.). In that event, any amounts which are paid based upon, or calculated in relation to, a Royalty Fee period will be adjusted on pro rata basis. Franchisee must promptly notify Franchisor of any closure of the Tea Shop or the Franchised Business that deviates from the normal course of business. Franchisee's royalty and other financial and reporting obligations to Franchisor will continue during any closure period not authorized by Franchisor.

E. Gross Revenues. For purposes of this Agreement, "***Gross Revenues***" means all charges and/or revenues that are earned or received by Franchisee in the operation of the Franchised Business, less sales tax collected and paid when due to the appropriate taxing authority and actual customer refunds, adjustments and credits.

F. Payment Methods; No Franchisee Set Off. Franchisee agrees to pay any amount owed to Franchisor or any Franchisor Associate in the manner Franchisor instructs, including possibly by credit card, wire transfer or pre-authorized electronic deposit to a bank or other financial institution account. Franchisee shall complete and execute any bank authorization or other form required by Franchisor for the purpose of authorizing Franchisor's selected payment method. Franchisee agrees to maintain an account at a bank or other financial institution that has the capacity to perform electronic debits to Franchisee's account and shall maintain account balances sufficient to meet any electronic payments that Franchisor requires. Amounts payable to, but not received by, Franchisor from Franchisee on the date due are subject to interest, as provided in Section 22 below. Franchisee does not have the right to offset or withhold payments of any kind owed or to be owed to Franchisor or any Franchisor Associate as a result of any dispute with Franchisor or otherwise, except as authorized by an arbitration award or in a judicial proceeding.

G. ***Renewal Fee***. The Renewal Fee of Twenty Thousand Dollars ($20,000) is due and payable by Franchisee as provided in Section 2 above.

H. ***Transfer Fee***. A Transfer Fee of Ten Thousand Dollars ($10,000) is due and payable by Franchisee as provided in Section 18.D below.

12. Records, Systems and Computers.

A. ***Maintenance of Records***. Franchisee shall maintain and preserve for the duration of the Term of this Agreement and any Renewal agreement and as otherwise required by law, complete and accurate books, records and accounts maintained according to standard accounting practices.

B. ***Reporting***. Franchisee shall maintain an accurate record of Gross Revenues and shall deliver to Franchisor in the manner Franchisor specifies a signed and verified statement of Gross Revenues ("***Gross Revenues Report***") for the royalty period described in Section 11.C above in a form that Franchisor approves or provides in any Manual or through other written communication to Franchisee. The Gross Revenues Report for the preceding royalty period must be provided to Franchisor, along with applicable Royalty Fees by the close of business on seventh (7th) day after each royalty period as provided in Section 11.C above. Additionally, Franchisee shall provide to Franchisor at such time and in such form or manner as Franchisor requests, any other information requested by Franchisor in connection with the Franchised Business.

C. ***Computer System and Software***. Franchisor shall have the right to require Franchisee to obtain, use and maintain computer systems, software, operating systems and databases, Internet technology, communications devices, payment systems, and other systems/items/equipment meeting Franchisor's specifications and compatibility requirements and/or that Franchisor designates by brand or title, including point of sale ("***POS***") systems (collectively, a "***Computer System***"). Franchisee's Computer System shall be linked to the Internet and have email and file sharing capabilities meeting Franchisor's then-current requirements and/or equipment and systems specifications. Franchisor reserves the right to have full access to all of Franchisee's computer data, Computer System and related information via direct access either in person or electronically by telephone, Internet or other electronic access system, as selected by Franchisor, including customer related information/data. Franchisee is solely responsible for ensuring that the collection, input, storage and use of the Franchised Business data complies with any applicable privacy laws and regulations within the jurisdictions applicable to Franchisee's Franchised Business. Franchisee is responsible for any supplier and/or licensor charges for use, maintenance, support and/or updates of and to the required systems. Franchisee shall change, upgrade or add to the Computer System and software or any component thereof from time to time on written notice from Franchisor and/or as required by then applicable software and hardware manufacturers or providers to maintain or operate the system.

D. ***Inspection***. Franchisee shall permit Franchisor and/or Franchisor's agents/representatives at any time during business hours, without causing any undue business interruption and without prior notice, to: (i) inspect the condition of Franchisee's Tea Shop, its Equipment and inventory, customer service, menu item preparation and other operations and to record and/or photograph the same; (ii) remove samples for testing and analysis; (iii) interview personnel; (iv) interview customers; (v) review operations processes and sample product quality; and (vi) conduct inventories and other activities for the purpose of determining Franchisee's compliance with this Agreement. Franchisee agrees to correct promptly, at Franchisee's expense, any deficiencies identified by Franchisor or its agent/representative in the course of the inspection. Franchisee shall be responsible for reimbursing Franchisor's costs and expenses incurred in connection with such an investigation to the extent the investigation is motivated by Franchisee's repeated or continuing failure to comply with this Agreement, as determined by Franchisor.

E. Audit. Franchisor has the right to require Franchisee to make available to Franchisor for inspection and/or audit at a time and in the manner Franchisor requests, all original books and records that Franchisor designates. Franchisor or its designee shall have the right, at all reasonable times, to examine, copy, inspect and audit the books and records of Franchisee, including electronic records. Such business records may include, but are not limited to, bookkeeping and accounting records, purchase invoices, sales invoices, sales and income tax records and returns, and cash register tapes/data. Franchisee shall cooperate fully with such an audit. Franchisor's audit rights continue in effect for two (2) years after the termination, expiration, or transfer of this Agreement. If an inspection or audit reveals any underpayment or understatement to Franchisor, then Franchisee shall immediately pay the amount of the underpayment or understatement, plus interest from the date the amount was due until paid, at the interest rate stated in Section 22, and shall reimburse Franchisor for costs and expenses incurred in connection with the audit. The provisions of this Section do not and shall not be construed to waive or excuse any breach reflected by an underpayment or understatement and are in addition to all of Franchisor's other rights and remedies.

13. Standards.

A. Quality and Performance. In all dealings with customers, suppliers, the public, government agencies, Franchisor and all other persons and entities, Franchisee shall adhere to high standards of honesty, fair dealing, and ethical conduct for the protection of the goodwill associated with the Marks and the System. Franchisee shall follow Franchisor's System Standards, including without limitation those relating to ingredients, preparation techniques, temperatures, and cooking times of menu items to be offered at the Tea Shop; hours of operation; and uniform usage. Throughout the term of this Agreement, Franchisee shall always maintain a sufficient supply or inventory for the optimal operation of the Tea Shop and as may be required under any Manual.

B. Condition of the Tea Shop; Renovation Requirements. Franchisee shall conduct the Franchise Business observing the highest standards of sanitation, cleanliness, customer service and efficiency. Franchisee shall at its own expense keep the assets, condition and appearance of the interior and exterior of the Tea Shop (inclusive of parking areas) and the Tea Shop assets clean, in good repair and consistent with Franchisor's quality standards and System in order to maintain the goodwill and positive image associated with the Marks and System (collectively, "***Tea Shop Maintenance Activities***"). Franchisee shall replace all worn, obsolete or unrepairable assets with those meeting any then current System Standards. Franchisor shall have the right to notify Franchisee that, in Franchisor's judgment, the Tea Shop's repair, appearance, Equipment or other assets do not meet Franchisor's standards and to state what action Franchisee must take to correct the deficiency(s). Franchisee shall take all steps needed to correct each deficiency within the timeframe(s) then required by Franchisor. In addition to such ongoing obligations, Franchisee shall at its expense and within 6 months of receipt of written notice from Franchisor (or within such longer period as Franchisor may specify in such notice, in its sole discretion), renovate, update, remodel and otherwise conform its Tea Shop to meet then current HECHALOU™ Tea Shop design and appearance requirements as implemented by Franchisor (collectively, a "***Tea Shop Update***"). Franchisor reserves the exclusive right to determine whether a required modification pertains to all or a portion of a Tea Shop Update or a part of Franchisee's ongoing obligations to perform Tea Shop Maintenance Activities and comply with System changes, as described in Section 9 above. Franchisee may be required to do so as a condition to Franchisor's award of a renewal HECHALOU™ Franchise or to approve a proposed Transfer.

C. Products, Equipment and Services. Franchisee acknowledges that the reputation and good will of the System is based on high quality product ingredients and customer service. Therefore, Franchisee shall offer and use Products and Services, install and use Equipment and purchase only from suppliers approved or specified by Franchisor, to the extent required by Franchisor. Franchisee shall not without Franchisor's written consent conduct any business or engage in any activity, or offer or sell any goods or services other than approved Products and Services on a retail basis, or use any product, equipment, service or supplier that is not approved by Franchisor in connection with the Franchised Business.

D. Approved Suppliers; No Warranties. From time to time, Franchisor shall provide to Franchisee in any Manual or in some other manner a list of suppliers and distributors authorized by Franchisor to supply Equipment, Products and/or Services for use or sale at the Tea Shop (each, an "***Approved Supplier***"). Franchisor reserves the right to increase or decrease the number and selection of Approved Suppliers in its sole discretion. While Franchisor may identify Approved Suppliers, Products and Services for Franchisee to use and/or sell in the Franchised Business, Franchisor has no liability of any kind for an Approved Supplier's performance or any of its prices, Products, Equipment and/or Services. UNLESS FRANCHISOR OR ANY FRANCHISOR ASSOCIATE GIVES TO FRANCHISEE A SPECIFIC WRITTEN WARRANTY FOR A PARTICULAR ITEM OR SERVICE, ALL FRANCHISOR AND/OR ANY FRANCHISOR ASSOCIATES PRODUCTS AND SERVICES ARE OFFERED, PROVIDED AND/OR "APPROVED" WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED.

E. Other Supplies and Suppliers. If Franchisee proposes to offer for sale or use at the Tea Shop any product or service or to use any supplier or equipment that is not then approved by Franchisor, Franchisee shall first notify Franchisor in writing and request Franchisor's consent to do so. Franchisee shall submit to Franchisor samples and other information that Franchisor requests to permit evaluation of the proposed product, service, equipment or supplier at Franchisee's expense. Franchisee shall reimburse Franchisor for all such costs and expenses associated with such evaluation upon receipt of invoice. Franchisor shall either approve or disapprove the proposed supplies and/or suppliers within a reasonable period after Franchisor's receipt of the evaluation request. Franchisor shall have the right to re-evaluate any Products, Services, Equipment or suppliers previously approved and to revoke such approval when Franchisor deems appropriate, and can require that some or all Products and Services sold and Equipment used in the Tea Shop conform to specifications and quality standards that Franchisor may establish from time to time for protection and enhancement of the goodwill associated with Marks. Franchisor shall also have the right to inspect at any time any products or supplies sourced by Franchisee and to inspect or audit the applicable supplier operations and require appropriate adjustments for consistency with Franchisor standards. Franchisee shall reimburse upon demand costs incurred by Franchisor in connection with any inspection or site visit to Franchisee's supplier's facility for quality assurance purposes. Notwithstanding any other provision of this Agreement, Franchisor shall not be required to reveal recipes, specifications and/or formulas for Proprietary Products to Franchisee, non-designated suppliers, or any other third parties.

F. Franchisor's Reserved Rights. Franchisor reserves the right to designate a supplier as an exclusive supplier of specified Products/Services/Equipment, to concentrate purchases with one or more suppliers and to receive royalties or other payments from supplier's for selecting them as organization suppliers or for allowing them to sell Proprietary Products.

Franchisor and Franchisor Associates also reserve the right to derive profits and to receive discounts, commissions, rebates, promotional allowances and other economic benefits as a result of purchases by franchisees of Products, Equipment and Services from Franchisor, from Franchisor Associates or from any other supplier. Franchisor and/or a Franchisor Associate each may be party to agreements with suppliers that provide for marketing or promotional rebates or allowances, volume discounts or other economic benefits. Any rebates, discounts, allowances, profits, mark ups or other benefits earned under these agreements or otherwise as a result of franchisees' purchases of that supplier's products or otherwise may be kept and used by Franchisor or Franchisor Associates in its/their sole discretion, as applicable. Franchisor and each of Franchisor Associates can be an Approved Supplier or exclusive supplier of specific Equipment/Products/Services to be purchased by franchisees. Franchisee acknowledges and agrees that Franchisor and each such Franchisor Associate will earn a profit in connection with their respective sales of Products (including Proprietary Products), Equipment and Services to franchisees and have no obligation to remit any portion of their receipts to Franchisee.

G. HECHALOU™ Products. Franchisee shall use, offer and maintain branded items in stock at the Tea Shop in such quantities as are needed to meet reasonably anticipated consumer demand, including packaging and serving materials, as well as certain proprietary ingredients, mixes, seasonings, flavorings, and other raw materials for HECHALOU™ menu items which are manufactured in accordance with Franchisor's or Franchisor Associates' standards, recipes, specifications and/or formulas (collectively, "***Proprietary Products***"). Franchisee shall purchase such Proprietary Products exclusively from Franchisor, Franchisor Associate(s) or Franchisor's designated supplier, as applicable. Notwithstanding any other provision of this Agreement, Franchisor shall not be required to reveal such standards, recipes, specifications and/or formulas for Proprietary Products to Franchisee, non-designated suppliers, or any other third parties. Franchisor has the right to adjust the number and type of Proprietary Products from time to time. Any Proprietary Products purchased from Franchisor or any Franchisor Associates shall be purchased according to the then current order, delivery and payment policies and procedures then in effect and as may be established from time to time. Franchisor and Franchisor Associates reserve the right to change prices and terms in connection with Products/Services sold or manufactured by any of them, and to discontinue the manufacture and/or sale of any such Products/Services in its sole discretion. Franchisor and/or any of the Franchisor Associates shall not be liable for any delays in shipment, receipt, or delivery in connection with Products and Services, including but not limited to Proprietary Products.

H. Supervision. Franchisee, or its Designated Owner, as applicable, is solely responsible for supervising the Franchised Business. Franchisee authorizes Franchisor to deal with any Designated Owner on all matters relating to this Agreement and the Franchised Business. Franchisee must keep Franchisor informed as to the identity of each Designated Owner and Tea Shop Manager.

I. Legal Compliance. Franchisee shall obtain and maintain all required licenses, permits and certificates to permit operation of the Tea Shop. Franchisee shall comply with all applicable federal, state and local laws, regulations, rules, ordinances, orders and other legal requirements in its performance under this Agreement, including but not limited to the ADA. Franchisee shall notify Franchisor in writing within three (3) days after learning of any demand, action, suit or proceeding made or brought against Franchisee, the Franchised Business or a Designated Owner, or of the issuance of any order, writ, injunction, award or decree of any court or government agency that may adversely affect the operation or financial condition of the Tea Shop, Franchised Business, Franchisee, the Marks or the System. Franchisee and its Owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and its Owners otherwise are not in violation of, any of the

Anti-Terrorism Laws and shall complete such forms attesting to the same as Franchisor may require. "***Anti-Terrorism Laws***" mean 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 other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war.

J. Program Participation. Franchisor can condition Franchisee's participation in any program, or Franchisee's receipt of any System benefits, including, but not limited to, Product discounts, inclusion in any HECHALOU™ Website or access to any HECHALOU™ intranet, training opportunities and other resources and promotional programs, on Franchisee remaining in compliance with the terms of this Agreement.

14. Risk Management and Indemnification.

A. Insurance. Franchisee shall obtain and maintain customary insurance coverage with scope and limits as required by law or as otherwise required by Franchisor. All required policies shall name Franchisor and Franchisor Associates as additional insured and entitled to receive at least thirty (30) days' prior written notice of any intention to reduce coverage or policy limits or to cancel or otherwise amend the policy. Each policy shall contain waivers of subrogation in favor of Franchisor and Franchisor Associates (which shall be operative only so long as available in the state having jurisdiction over an affected claim and provided further that no policy of insurance is invalidated thereby). Franchisor shall have the right from time to time to revise coverage types and policy amounts that Franchisee must obtain and maintain. Franchisor shall have the right at any time to require Franchisee to provide to Franchisor full copies of Franchisee's insurance policies. Franchisee shall provide Franchisor prior to opening the Tea Shop certificates of insurance evidencing the coverage described in this Section 14.A, and thereafter with each policy renewal and at Franchisor's request; provided, that evidence of contractor(s)'s coverage as specified above must be provided to Franchisor before any construction/build out begins. If Franchisee fails to purchase or maintain required policies and limits or to provide proof of insurance on request, then Franchisor has the right, but not the obligation, to obtain such coverage, and Franchisee must reimburse Franchisor upon demand. A failure to maintain required insurance is a material breach of this Agreement.

B. Notice of Claims; Franchisee Indemnification. Franchisee shall notify Franchisor in writing of any and all claims or demands against Franchisee, the Franchised Business, any Franchisor Associates or Franchisor within three (3) days after Franchisee receives actual notice of the claim or demand. Franchisee will defend with counsel of Franchisor's choosing, indemnify and hold Franchisor, Franchisor Associate(s) and each of their respective Affiliates, agents, officers, partners, members, shareholders, directors, employees and representatives (the "***Indemnified Parties***") harmless from all fines, suits, proceedings, claims, demands, actions, losses, damages, costs, fees (including Attorneys' Fees and related legal costs and expenses), governmental/administrative actions or proceedings and any other liability of any kind or nature, however arising, growing out of or otherwise connected with and/or related to any Franchisee breach of this Agreement, the ownership or operation of Franchisee's Franchised Business, or any act, error and/or omission by Franchisee and/or any Franchisee Affiliates, agents, officers, partners, members, shareholders, directors, employees or representatives. Franchisor will have the right to control all litigation to which it is a party and to defend and/or settle any claim in such manner as Franchisor considers appropriate, without affecting Franchisor's or the Indemnified Parties' rights under this indemnity. Franchisee acknowledges that this obligation to indemnify and reimburse Indemnified Parties for costs and expenses, as described above, applies to any action or proceeding or legal matter of any kind in which one or more Indemnified Parties is/are named or involved and which also involves this Agreement and/or

Franchisee's Franchised Business, including any administrative actions or investigations and appellate, post judgment or bankruptcy proceedings. Franchisee further acknowledges that this obligation to indemnify and reimburse Indemnified Parties for costs and expenses, as described above, expressly applies to claims from persons employed by or providing services to Franchisee involving allegations of a violation of the Fair Labor Standards Act, the Occupational Safety and Health Act, any state workers' compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment or employee benefit law or regulation. All amounts payable by Franchisee under this Section 14.B are due upon demand. Franchisee is entitled to appoint separate independent counsel to represent Franchisee's interests in such suits, proceedings, or claims, all at Franchisee's expense. Franchisee's obligations under this Section 14.B shall survive the assignment, termination or expiration of this Agreement, except that Franchisee shall not be responsible to indemnify any Indemnified Parties for costs, expenses or other liabilities incurred by any such Indemnified Parties solely as a result of such Indemnified Parties' intentional misconduct or material breach of this Agreement.

15. Covenants.

A. No Diversion; Protection of Goodwill. During the term of this Agreement, Franchisee and Franchisee Owners shall not, either directly or indirectly, for itself/themselves, or through, on behalf of or in conjunction with any person or Business Entity divert or attempt to divert any business or customers of the Tea Shop to any competitor, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System. Franchisee acknowledges and understands that all customer relationships and customer-related information obtained at or by Franchisee in connection with the Franchised Business are Franchisor's intellectual property and a part of Franchisor's Confidential Information.

B. No Engaging in Competing Business During Term. During the term of this Agreement, Franchisee, each Franchisee Affiliate, each Franchisee Owner and each Family Member of each of the foregoing, shall not:

(i) have any direct or indirect interest anywhere in any Similar Business, or in any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses; or

(ii) provide any financial support or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business, or for any entity granting franchises or licenses or establishing joint ventures to operate Similar Businesses.

For purposes of this Agreement, (i) a "***Similar Business***" is any business or enterprise that markets or sells tea beverages with milk tea, fruit tea, boba tea, tea jellies and other distinctive HECHALOU™ menu items and such goods comprise more than twenty percent (20%) of sales for such business/enterprise; and (ii) "***Family Members***" include an individual and his/her spouse and/or domestic partner, and their respective mother, father, brother, sister, son, and daughter. These restrictions do not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the outstanding number of shares of that class issued by a Similar Business.

C. Further Trade Secret and System Protection; Post Term Restrictions. For a period of two (2) years after the transfer, termination or expiration of this Agreement and to the extent permitted by law, Franchisee, each Franchisee Affiliate, each Franchisee Owner and each Family Member of each of the foregoing, shall not:

(i) have any direct or indirect interest in any Similar Business within a radius of ten (10) miles of the Accepted Location or of any HECHALOU™ Tea Shop, or

(ii) provide any financial support or perform any services as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business within a radius of ten (10) miles of the Accepted Location or of any HECHALOU™ Tea Shop; or

(iii) have any direct or indirect interest anywhere in, or provide any financial support to, any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses, or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any such entity.

Franchisee accepts that it is Franchisee's obligation under this Agreement to ensure the compliance of each of the persons/entities named in Sections 15.A, 15.B and 15.C with the limitations described in those Sections. Franchisor shall use reasonable judgment in evaluating whether or not the conduct of a Family Member warrants the exercise of rights under this provision.

D. Franchisee Acknowledgment. Franchisee and Franchisor share a mutual interest in ensuring compliance with the restrictions on competition described in Sections 15.A, 15.B and 15.C. Franchisee acknowledges and agrees that such protections can enhance the value of the System to Franchisee, have been expressly bargained for and represent a reasonable balancing of Franchisee and Franchisor interests. Franchisee confirms that Franchisee and Franchisee Owner(s) possess valuable skills unrelated to the Franchised Business and have the ability to be self-supporting and employed regardless of the restrictions on competition to which Franchisee and Franchisee Owners have agreed.

E. Covenants are Severable; Trade Secret Protection Essential. Each of the above covenants shall be deemed independent of any other covenant or provision of this Agreement. If any of the restrictions of this Section 15 are determined to be unenforceable to an extent because of excessive duration, geographic area, scope of business or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the System, but which is still enforceable. Franchisee and Franchisor agree and intend that Franchisee and Franchisee Owner(s) in all instances shall not engage in any activities or business if the fulfillment of Franchisee's/Franchisee Owner's duties and responsibilities with respect to any such activities or business (or the duties and responsibilities of another person/entity identified in Sections 15.B and 15.C) would inherently call upon Franchisee or such person/entity to disclose and/or use Franchisor's or Franchisor Associate's Trade Secrets or other proprietary information.

F. Injunctive Relief. Franchisee acknowledges that money damages would not be a sufficient remedy for breach of the obligations in this Section 15. Accordingly, Franchisor shall be entitled to seek and obtain equitable remedies, including, without limitation, immediate restraining orders and injunctive relief for the actual or threatened breach of any obligation in this Section 15. Franchisor's remedies for a breach of Sections 15.B and 15.C will include, but not be limited to, the right to receive all profits generated in connection with the operation of any Similar Business.

16. Default and Termination.

A. Termination by Franchisor with No Opportunity to Cure. This Agreement shall, at Franchisor's option, terminate automatically upon Franchisor's delivery of notice of termination to Franchisee, without opportunity to cure, if Franchisee or Franchisee Owner(s), as applicable:

(i) fails to have an Accepted Location within one hundred eighty (180) days of the Effective Date of this Agreement, or to develop, stock, equip, open and operate the Tea Shop by the Opening Period Deadline as provided in Section 3 above;

(ii) has made any material misrepresentation or omission in the application for the Franchise;

(iii) is convicted of or pleads no contest to a felony or other crime or offense that Franchisor believes is likely to affect adversely the reputation of Franchisor, Franchisee, the System or the Tea Shop;

(iv) duplicates or discloses or makes any unauthorized use of any Trade Secret or Confidential Information or Copyrighted Works provided to Franchisee by Franchisor, including any Manual;

(v) abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days without Franchisor's advance written consent, or fails to relocate to another approved Tea Shop location within ten (10) days after vacating the Accepted Location or within such longer period as is permitted by Franchisor in writing, if any;

(vi) attempts to make or makes an unauthorized Transfer or assignment under this Agreement;

(vii) submits to Franchisor on three (3) or more separate occasions at any time during the term of the Franchise any false or inaccurate reports or other information required by Franchisor, regardless of whether or not corrected;

(viii) is the subject of insolvency, receivership or bankruptcy proceedings, admits in writing insolvency or an inability to pay debts as they are due, or makes an assignment for the benefit of creditors;

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

(x) fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit required reports or other Franchisor required information when due, to pay Royalty Fees or any other fees or amounts due to Franchisor or any Franchisor Associates, or otherwise fails to comply with this Agreement, whether or not the failures to comply are corrected after notice is delivered to Franchisee;

(xi) receives a written notice of default under Section 16.B(ii) below, more than twice during the term of this Agreement;

(xii) violates any safety, health or consumer protection law, ordinance or regulation or operates the Tea Shop in a manner that presents a safety or health hazard to its customers or the general public and does not immediately begin to cure such violation or hazard and correct the same within seventy-two (72) hours of receipt of notice about it;

(xiii) fails to comply with all applicable laws, regulations, orders and ordinances relating to the Tea Shop and/or the Franchised Business; or

(xiv) have assets, real property or other interests blocked in connection with any legal requirements relating to terrorist conduct or activities, or otherwise violate any such requirements; or

(xv) fails to have and maintain insurance in compliance with Section 14.A, or to deliver certificates of coverage within seven (7) days of any written request by Franchisor.

B. Termination by Franchisor with Opportunity to Cure. This Agreement shall terminate, at Franchisor's sole option, without further action by Franchisor or notice to Franchisee if Franchisee or any Franchisee Owner(s), as applicable:

(i) fails or refuses to make payments of (a) any amounts due Franchisor or any Franchisor Associate or Approved Supplier for Royalty Fees, or purchases from Franchisor or any such Franchisor Associate or Approved Supplier, or (b) any other fees or amounts due to Franchisor or any such Franchisor Associate or Approved Supplier, or (c) fails or refuses to maintain a bank account with sufficient funds to permit Franchisor to make electronic debits as provided under this Agreement, or (d) otherwise prevents Franchisor from electronically debiting Franchisee's bank account, and (e) does not correct any such failure or refusal within five (5) days after written notice is delivered to Franchisee; or

(ii) fails or refuses to use and/or offer for sale Products and Services and/or use Approved Suppliers and Equipment, to the extent required by Franchisor, or offers/sells/uses unauthorized products/services/equipment/suppliers without first obtaining Franchisor's advance written consent, and does not correct such default within five (5) days after written notice of the default is delivered to Franchisee; or

(iii) fails or refuses to comply with any other provision of this Agreement, any other agreement with Franchisor or any Franchisor Affiliate, or any mandatory requirement prescribed in any Manual and does not correct the failure within thirty (30) days of written notice thereof or within any shorter period for cure as may be prescribed under the applicable agreement.

C. Discontinued Products/Services; Costs of Enforcement. If Franchisor delivers a notice of default to Franchisee, Franchisor and Franchisor Associates have the right to stop selling and/or providing any goods (Proprietary Products or otherwise) and/or services, including Franchisee's participation in the HECHALOU™ Website or intranet or a marketing promotion, until Franchisee has cured all defaults. Franchisee shall pay to Franchisor all damages, costs and expenses, including all costs of collection and reasonable Attorneys' Fees, incurred by Franchisor in connection with the enforcement of any provision of this Agreement, both during and after the termination or expiration of this Agreement, and this obligation shall survive any such termination or expiration.

17. Rights and Duties on Expiration or Termination.

A. Franchisee's Obligations. On termination or expiration of this Agreement, Franchisee and Owner(s) shall:

(i) immediately cease directly or indirectly representing to the public or holding itself out as a present or former HECHALOU™ franchisee;

(ii) immediately and permanently cease using, whether through advertising, the Internet, social media or in any other manner or materials, any Confidential Information, the Copyrighted Works, any Trade Secrets, the Marks and any distinctive designs, slogans, branded or Proprietary Products, signs, symbols, logos or devices associated with the System, as well as any marks, designs or slogans confusingly similar thereto;

(iii) take such action as may be necessary to cancel or to assign to Franchisor or Franchisor's designee, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities that contains the name "HECHALOU" or any of the Marks or any derivative thereof;

(iv) immediately pay all sums owing to Franchisor and any Franchisor Associate or any Franchised Business creditor;

(v) pay to Franchisor all damages, costs and expenses, including reasonable Attorneys' Fees, incurred by Franchisor after the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(vi) immediately discontinue any use of and, on Franchisor's request and at its option, return to Franchisor or destroy any Manual, instructional program or marketing materials, and any item or materials bearing the Marks;

(vii) immediately discontinue domain names, e-mail addresses, Internet key word purchases, social network pages, videos and any other publication on the Internet using the Marks, including Facebook, X, YouTube, Pinterest, Instagram, SnapChat, TikTok or other social media, and ensure the removal of any such uses from all such sites/media;

(viii) comply with the covenants contained in Section 15 of this Agreement to the fullest extent permitted by applicable law;

(ix) assign to Franchisor or its designee on Franchisor's request, all of Franchisee's right, title and interest in and to Franchisee's telephone and facsimile numbers for the Franchised Business, and all of Franchisee's right, title and interest in Internet addresses, electronic mail addresses and domain names and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone and facsimile numbers, Internet addresses, electronic mail addresses, domain names and any regular, classified or other telephone directory listings associated with the Marks; and

(x) immediately remove from the Tea Shop premises any HECHALOU™ interior and exterior displays and signage and any physical and/or structural features associated with HECHALOU™ Tea Shops and Trade Dress and otherwise de-identify the Tea Shop so that the Tea Shop is clearly distinguished from other HECHALOU™ Tea Shops and does not create any public confusion. If immediate removal of exterior signage is not possible because of the necessity of lessor involvement or similar requirements involving leased premises, Franchisee will arrange for immediate coverage of the exterior signage such that it is no longer visible to the public and for the removal of the exterior signage within ten (10) days of the termination or expiration of this Agreement.

All obligations under this Section and other terms that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied or by their nature expire.

B. No Release. If this Agreement terminates, is transferred or expires, Franchisee shall not be released or discharged from Franchisee's obligations, including payment obligations, unless otherwise provided by Franchisor in writing. If this Agreement is terminated as a result of Franchisee's default, Franchisor also shall be entitled to payment from Franchisee of all amounts which would have become due under this Agreement or any other agreement with Franchisor if Franchisee had continued to operate a franchised HECHALOU™ Tea Shop for the full term of this Agreement. Franchisor's remedies for default shall include, but are not limited to, the right to collect the present value of these amounts and to receive the benefit of its bargain with Franchisee, as well as to accelerate the balances of any promissory notes owed and to receive any other unpaid amounts owed to Franchisor or any Franchisor Associate.

C. Return of Proprietary Products. Franchisor shall have no obligation to repurchase any Proprietary Products or supplies inventory remaining at the terminated Tea Shop. Promptly at Franchisor's request and Franchisee's expense, Franchisee shall return any such Proprietary Products and supplies to a location Franchisor designates. To the extent that Franchisee is licensed to operate any other HECHALOU™ Tea Shop and provided that there is no adverse effect on quality, Franchisor will permit Franchisee to use such inventory at such other Tea Shop(s) to reduce the expense of compliance.

18. Transfer Restrictions.

A. Assignment by Franchisor. Franchisor has an unrestricted right to transfer, assign or otherwise convey this Agreement, and some or all of Franchisor's rights and/or obligations under it, in its sole and absolute discretion, in whole or in part, without Franchisee's consent. Franchisee acknowledges and agrees that Franchisor may be sold and/or sell any or all of Franchisor's Marks, Trade Secrets, Copyrighted Works or the System and/or other assets, and go public, merge, or acquire other entities, whether or not competitive to Franchisee or Franchisor, without Franchisee's consent.

B. Assignment by Franchisee. Franchisee and Franchisee Owner(s) shall not encumber, assign or otherwise transfer all or any interest in the Tea Shop, the Franchised Business assets, or this Agreement, and no Owner shall transfer any interest in Franchisee, without Franchisor's prior written consent (individually and collectively, a "***Transfer***"). Any purported Transfer without Franchisor's prior written consent shall be null and void and shall be a material breach of this Agreement. The term "Transfer" includes any voluntary or involuntary assignment, sale, gift, pledge or any grant of any security or other interest and the following events: (i) any transfer of ownership of membership, capital stock or any partnership or similar interest; ii) any merger, consolidation or issuance of additional securities representing an ownership interest in the Franchised Business or the Franchisee; (iii) any sale of Franchisee's voting stock; (iv) any transfer in a corporate or partnership dissolution, divorce, insolvency proceeding or otherwise by operation of law; (v) any transfer of any interest in any revenues, profits, or assets of the Franchised Business which is not in the ordinary course of business; or (vi) any Franchise transfer to a Business Entity and/or a trust or similar entity. A Transfer of ownership, possession or control of a HECHALOU™ Tea Shop, or of its assets, may only be made with a Transfer of the Franchise, unless Franchisor otherwise agrees in writing and in its sole discretion.

C. Conditions for Consent to Transfer to a Wholly-Owned Entity. If Franchisee is one or more natural persons, Franchisor shall not unreasonably withhold consent to a Transfer by Franchisee to a Business Entity wholly-owned by such Franchisee and shall not require payment of the Transfer Fee described in Section 18.D(v) below, provided that Franchisee meets the following conditions, to the extent required by Franchisor, all of which are accepted by Franchisee as reasonable:

(i) The transferee entity/franchisee shall be newly organized with its activities confined exclusively to operating a HECHALOU™ Tea Shop under this Agreement;

(ii) The individual(s) approved by Franchisor as the Owner(s) of the Franchised Business shall be and shall remain the Owner(s) of the securities or other applicable ownership units for the transferee entity;

(iii) The Owner approved by Franchisor as the Designated Owner shall remain the Designated Owner for the transferee entity;

(iv) The transferee entity shall enter into a written assignment (in a form satisfactory to Franchisor) in which the transferee entity assumes all of Franchisee's obligations under this Agreement;

(v) All Owners of the transferee entity (and each of their respective spouses or domestic partners, to the extent required by Franchisor) shall enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally guaranteeing full payment and performance of the transferee entity's obligations under this Agreement;

(vi) No new shares of stock or membership interests or other indicia of ownership in the transferee entity shall be issued to any person or entity without obtaining Franchisor's prior written consent; and

(vii) Franchisee and all Owners shall execute a General Release prior to any Transfer in a form prescribed by Franchisor.

D. Conditions on all Other Transfers. Except for Transfers made pursuant to Section 18.C above, Franchisor shall have the right to impose any or all of the following conditions on any proposed Transfer:

(i) the transferee(s) shall have a credit rating and financial/business qualifications reasonably acceptable to Franchisor, and Franchisee shall provide Franchisor with information as Franchisor may require to make such determination;

(ii) the transferee(s) or the individual who shall be the Designated Owner of the Franchised Business shall have successfully completed the Initial Training Program for new franchisees and paid the then-current initial training fee or shall have otherwise demonstrated to Franchisor's satisfaction sufficient ability to operate the Tea Shop being transferred;

(iii) the transferee(s), including Owners of the transferee(s), shall jointly and severally execute any or all of the following, at Franchisor's sole discretion and as Franchisor shall direct: (a) Franchisor's franchise agreement and other standard ancillary agreements with Franchisor on the current standard forms being used by Franchisor, except that an additional Initial Franchise Fee and Tea Shop Pre-Opening Fee shall not be charged; and/or (b) an assignment from Franchisee in a form satisfactory to Franchisor, under which the transferee shall assume all of Franchisee's obligations under this Agreement; and (c) such personal guarantees and ancillary documents as Franchisor then customarily requires;

(iv) the term of the transferee's franchise shall be for the unexpired term of this Agreement or, at Franchisor's option, for the full term of any franchise agreement signed in connection with the Transfer, as provided in Section 18.D(iii) above;

(v) Franchisor must receive payment of a Ten Thousand Dollars ($10,000) Transfer Fee on or before the completion of the Transfer;

(vi) Franchisee shall not take or maintain a security interest after a Transfer in the Franchise or this Agreement or any Franchised Business assets without Franchisor's prior written consent, which Franchisor has an unrestricted right to condition or withhold;

(vii) the transferee(s) and Franchisee and each of their respective Owners must sign any consent to Transfer form then customarily requested by Franchisor, which can include a General Release;

(viii) the transferee and each transferee Owner shall not be in breach of this Agreement upon completion of the Transfer due to interests in Similar Businesses or otherwise;

(ix) all amounts due Franchisor or any Franchisor Associates and any Franchised Business supplier must be paid in full;

(x) no shares of stock or membership interests or other indicia of ownership in the transferee entity shall be transferred or issued to any person or entity without obtaining Franchisor's prior written consent;

(xi) the Franchisee Owner approved by Franchisor as the Designated Owner shall remain the Designated Owner, unless Franchisor approves a substitute at Franchisee's request and in Franchisor's sole discretion; and

(xii) Franchisee's Tea Shop facility and its operations must have been brought into full compliance with any Manuals and specifications and System Standards then-applicable for new HECHALOU™ Tea Shop.

E. No Release. Franchisor's approval of any Transfer shall in no way be deemed a release by Franchisor of Franchisee's, any Franchisee Owner's or any guarantor's obligations under this Agreement, or of any guarantee, any promissory note or any other agreement related to the Franchise. Franchisor's consent to a Transfer shall not be or be interpreted as a consent to any future Transfer.

19. Death or Incapacity.

If the Franchisee, or if the Franchisee Owner having a controlling interest in a Business Entity Franchisee, dies or is permanently disabled, then his or her interest in this Agreement, the Franchise and/or the Franchisee shall be transferred to a third party, subject to compliance with the provisions of Section 18. A "***Permanent Disability***" occurs if Franchisee (or the applicable Owner) is not able to personally, actively participate in the management of the Franchised Business for one hundred eighty (180) consecutive days. A Transfer under this Section shall be completed within one hundred eighty (180) days from the date of death or permanent disability. If no Transfer occurs within the prescribed one hundred eighty (180) day period, the Franchise will automatically terminate at the end of such period, unless Franchisor grants an extension in its sole discretion or in compliance with local law.

20. Nature of Relationship; Independent Contractors.

The parties desire, acknowledge and agree that they are and shall be independent contractors. Nothing in this Agreement shall be construed to create an employer-employee, co-employer relationship, partnership, joint venture, agency or any fiduciary or special relationship. Franchisee shall have no power to, and shall not purport to, obligate Franchisor for any expense, liability or other obligation. Franchisee shall be responsible for all acts and omissions of Franchisee's employees, Tea Shop Managers, independent contractors, and representatives, regardless of whether or not Franchisee had actual knowledge of such act or omission. Franchisee is and shall remain at all times completely independent and in business for itself, and shall have no right or interest in any of Franchisor's property or business. Franchisee is not, and shall not hold itself out as, an agent, representative, employee, officer, director, partner, owner or Associate of Franchisor.

21. Non-Waiver.

No waiver or delay in enforcing a party's rights after any breach of any term of this Agreement shall be construed as a waiver of any earlier or later breach of such provision or of any other provision of this Agreement. Any party's acceptance of any payment from the other shall not be construed to be a waiver of any breach of this Agreement, unless such waiver is made in writing and signed by the waiving party.

22. Interest and Costs of Collection.

All amounts due from Franchisee to Franchisor or any Franchisor Associate shall bear interest after the due date at the lower of the rate of one and one-half percent (1.5%) per month or the highest applicable legal rate for open account business credit allowed under applicable law. This Section is not an agreement to permit or accept payments after they are due or a commitment by Franchisor to extend credit. Franchisee shall pay Franchisor on demand all reasonable costs of collection that Franchisor incurs in connection with any late payments made by Franchisee, including legal costs and Attorneys' Fees.

23. No Accord or Satisfaction; Application of Funds.

Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. Franchisor shall have the sole discretion to apply any payments made by, or on behalf of, Franchisee to any of Franchisee's past due indebtedness owing to Franchisor or any Franchisor Associates. Franchisor has the right to set off any amounts it owes to Franchisee against any amounts Franchisee owes to Franchisor or to a Franchisor Associate or an Approved Supplier. No restrictive endorsement on any check or in any letter or other communications accompanying any payment shall bind Franchisor or any Franchisor Associates.

24. Tax Payments.

As an independent business, Franchisee is solely responsible for Franchisee's and the Franchised Business's periodic filings and payments in connection with all state, federal and/or local taxes, fees and withholdings of every kind, including without limitation, sales taxes, business and/or personal self-employment taxes and income taxes; payroll and payroll taxes for Franchisee's employees; and all social security and other amounts required to be paid or withheld, as well as for worker's compensation insurance as required by law. Neither Franchisor nor any Franchisor Associates is responsible for any item or expense associated with Franchisee's payroll or for any other compensation or benefits related to Franchisee's employees or independent contractors or Franchisee's Tea Shop. Franchisee is solely responsible for the payment of all sales taxes and other taxes, debts, and obligations of the Franchised Business and will promptly pay and discharge the same as they become due. If any amount to be paid or reimbursed under this Agreement to Franchisor or any Franchisor Associates, is subject to any gross receipts taxes, value added taxes, sales taxes, use taxes, personal property taxes and similar taxes imposed on, or required to be collected or paid by Franchisor or any Franchisor Associates, then Franchisee must pay or reimburse an additional amount to Franchisor or to such Franchisor Associates, as the case may be, so that the amount actually received by Franchisor or such Franchisor

Associates after such deduction, payment or withholding will equal the full amount payable or reimbursable under this Agreement.

25. Notices.

Notices required or permitted under this Agreement shall be sent to the applicable parties at the addresses identified on Schedule A unless a different address has been designated by written notice to the other party. Notices shall be in writing and shall be personally delivered, delivered by commercial delivery service, delivered by certified or registered U.S. mail, return receipt requested, or sent by facsimile or electronic mail transmission with confirmation of receipt, shall be addressed as provided on Schedule A; and shall be deemed received at the earlier of (i) the time of actual receipt; or (ii) immediately on transmission by facsimile or email transmission; or (iii) one (1) business day after being placed in the hands of a commercial delivery service for overnight delivery; or (iv) three (3) business days after placement in the United States Mail by registered or certified mail, return receipt requested, postage prepaid.

26. Entire Agreement.

This Agreement, each Schedule, any addendum and all ancillary agreements signed concurrently with this Agreement contain the parties' entire agreement on the subject matter hereof, and supersede any and all prior and concurrent negotiations, understandings, representations, disclosures and agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in any Disclosure Document that was furnished to Franchisee by Franchisor. This Agreement shall not be modified, except by a written amendment signed by both parties; provided, that Franchisor reserves the right to make changes to any Manual as provided in this Agreement without Franchisee's consent.

27. Severability and Construction.

A. Law Controls; Severable Terms. In any conflict between this Agreement and any applicable law, the law shall prevail, but the provision of this Agreement so affected shall be curtailed and limited only to the extent necessary for such provision to be lawful. This Agreement will be deemed automatically modified to comply with governing law, if such law requires a greater time period for notice of termination of or refusal to renew this Agreement or otherwise. If any provision of this Agreement is held to be indefinite, overbroad, invalid or otherwise unenforceable, the remainder of this Agreement shall continue in full force and effect.

B. Third Party Beneficiaries. Except for indemnification rights held by third party indemnitees or as otherwise expressly provided in this Agreement, nothing in this Agreement is intended, nor shall be construed, to confer on any person or legal entity other than Franchisor or Franchisee and their respective successors and assigns any rights or remedies under or by reason of this Agreement.

C. Headings and Counterparts. Captions and headings are intended solely for the convenience of the parties and shall not be deemed to affect the meaning or construction of any provision of this Agreement. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be signed with full legal force and effect using electronic signatures and records.

D. Franchisor Exercise of "Sole Discretion" and Other Choices; Express Agreement; Requests for Consent or Approval. When this Agreement includes the phrases

"Franchisor's sole and absolute discretion" and/or "sole discretion" and whenever Franchisor exercises a right, prescribes an action or thing, or otherwise makes a choice or uses discretion, Franchisee and Franchisor agree that Franchisor has the express, unrestricted right to make decisions and/or take (or refrain from taking) actions, as Franchisor deems appropriate. Any Franchisee request for approval or consent must be submitted to Franchisor in writing, and any grant by Franchisor of any such approval or consent must be in writing to be effective.

E. Construction. In each instance in which any of them appear in this Agreement, the terms, "include," "includes," and "including" shall each be construed to be followed by the words, "without limitation."

28. Law and Venue.

A. Governing Law. Except to the extent of the applicability of the Federal Arbitration Act and related federal preemption requirements, this Agreement and all other matters concerning Franchisor and Franchisee and/or their respective rights and obligations will be governed by, and construed and enforced in accordance with, the laws of the state of California, without giving effect to any conflict of laws; provided that the provisions of Sections 15.A, 15.B and 15.C shall be construed and enforced in accordance with the laws of the state where the claimed breach of such Section(s) occurs.

B. Venue for Disputes. Subject to Section 29 below, and except to the extent prohibited by law or as otherwise provided in any state addenda applicable to Franchisee's state of residence or of Franchisee's Franchised Business location, the parties agree that the venue for any litigation arising under or related to this Agreement or the relationship of the parties will be an appropriate state or federal court with jurisdiction in Los Angeles County, California. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

29. Dispute Resolution.

A. Process. Except as precluded by law, any dispute, controversy, action or proceeding of any type, including any claim for equitable relief and/or for which Franchisee is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise (individually and collectively, a "***Claim***"), between Franchisor and/or other Franchisor Associates, on the one hand, and Franchisee and/or its Affiliates, Owners, and/or any of their respective guarantors, directors, officers, members, shareholders, partners, managers, agents, and/or employees, on the other hand, shall be resolved as provided in this Section 29. Except for a Claim specified in Section 29.D(ii) below, Franchisor and Franchisee agree to mediate any Claim before resorting to arbitration or litigation. Such mediation shall be conducted for a maximum of six (6) hours (unless the parties mutually agree otherwise) before a retired judge with Judicial Arbitration and Mediation Services, Inc. ("***JAMS***"), who shall be jointly selected by the applicable parties. Mediation fees, if any, shall be divided equally between or among the parties involved. If such parties are unable to resolve such Claim(s) through mediation and except as provided in Section 29.D below, such Claim(s) shall be resolved by binding arbitration as provided in this Section 29. Arbitration shall be administered by JAMS, or its successor, in accordance with JAMS' then prevailing Comprehensive Arbitration Rules and Procedures and conducted by one arbitrator, who must be a lawyer substantially experienced in franchising. Any award must be in writing and judgment upon any award rendered may be entered in any court having jurisdiction thereof. The parties shall hold arbitration proceedings, awards, and related discussions confidential, except for such disclosure as may be required by law. Claims which would constitute a compulsory counter-claim, if brought in court under the state law provided in Section 28.A, must be filed in an arbitration proceeding brought under this Agreement or be barred. The substantive law applied in such arbitration shall be as provided in Section 28.A. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties.

B. Arbitrator's Authority. The arbitrator shall decide any questions relating in any way to the parties' agreement to arbitrate, including arbitrability, applicability, subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can issue summary orders disposing of all or part of a Claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, and other relief by any court having jurisdiction.

C. Location. Any arbitration or mediation will be conducted exclusively at a neutral location in Los Angeles County, California.

D. Claims Brought in Court Proceedings or Arbitration. Notwithstanding any other provisions of this Agreement or otherwise, (i) either party shall be entitled to seek preliminary or interim injunctive or provisional relief by a court or by arbitration (including, but not limited to, a temporary restraining order and preliminary injunction and injunctive relief concerning rights to real property and possible eviction, all without bond) without showing or proving any actual damage, until such time as a final and binding determination is made by the arbitrator, and (ii) any party to this Agreement is entitled to pursue an action for collection of debt(s) owed in either a court or arbitration proceeding when the right to payment has not been in dispute prior to the filing of such an action. The foregoing remedies shall be in addition to, and not in lieu of, all other remedies or rights which the parties might otherwise have by virtue of any breach of this Agreement by the other party.

E. Survival and Enforcement. The terms of this Section 29 shall survive termination, expiration or cancellation of this Agreement. If any portion of this Section 29 is deemed to be unenforceable for any reason, it shall be modified or restricted, or severed, so as to comply with applicable law and shall be otherwise enforced according to its terms.

F. Costs. Each party shall bear its own costs and expenses incurred in connection with any Claim, including, but not limited to, Attorneys' Fees.

G. Terms Applicable to All Proceedings; Damages Limitation; Waiver of Class Action. TO THE EXTENT PERMITTED BY LAW, ANY RECOVERY ON ANY CLAIM UNDER THIS AGREEMENT SHALL BE LIMITED TO ACTUAL DAMAGES SUSTAINED BY THE INJURED PARTY, WITH ALL PARTIES WAIVING CLAIMS FOR PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES. ANY ARBITRATION OR OTHER PROCEEDING BETWEEN FRANCHISOR OR ANY FRANCHISOR ASSOCIATES AND FRANCHISEE AND ANY FRANCHISEE AFFILIATE OR OWNER SHALL BE BROUGHT AS AN INDIVIDUAL CLAIM AND SHALL NOT BE ARBITRATED OR LITIGATED ON A CLASS-WIDE OR CLASS ACTION BASIS TO THE FULLEST EXTENT PERMITTED BY LAW.

30. Force Majeure.

Except for the payment of monies owed, neither party shall be liable or responsible for any delays or failures to perform as provided in this Agreement due to strikes, lockouts, casualties, acts of God, war, acts of terrorism, government regulation or control or other causes beyond the reasonable control of such parties. Any time period for the performance of an obligation shall be extended by the amount of the delay. This clause shall not apply or not result in an extension of the term of this Agreement.

31. "Franchisee" Defined and Guarantee.

A. Franchisee. As used in this Agreement, the term "Franchisee" shall include the individual(s) or entity defined as "Franchisee" in the introductory paragraph of this Agreement and all persons who succeed to the interest of the original Franchisee by transfer or operation of law, and all Owners, as context requires.

B. Individual Undertakings. By their signatures below, all partners, shareholders, officers, directors, members, managers and governors of a Business Entity Franchisee personally and individually acknowledge and accept the duties and obligations imposed on Franchisee by the terms of this Agreement and any related agreements.

C. Business Entity Franchisee. If Franchisee is at any time a Business Entity, Franchisee agrees that:

(i) Franchisee shall at all times be lawfully organized and formed and in good standing under the laws of Franchisee's state of incorporation or formation and have the authority to undertake and perform Franchisee's obligations under this Agreement and all related agreements;

(ii) any permitted changes in the ownership described on Schedule A shall be included in an amended Schedule A to be executed by the parties; and

(iii) if Franchisee is a Business Entity, all of Franchisee's Owners (and each of their respective spouses or domestic partners, to the extent required by Franchisor) execute Franchisor's then current form of Guaranty and Assumption of Obligations, a current copy of which is attached as Schedule B to this Agreement, but which is subject to change by Franchisor.

32. Franchisor Practices.

Franchisee understands, acknowledges and agrees that Franchisor may have offered Franchises in the past, may currently be offering Franchises and/or may offer Franchises in the future on or with economic and/or other terms, conditions and provisions which may significantly differ from those stated in this Agreement and any related documents. Franchisee further acknowledges that there may be instances in which Franchisor has varied, or will vary, the terms on which Franchisor offers Franchises, the fees Franchisor receives and specific arrangements with a particular franchisee to suit the circumstances of a particular transaction, the particular franchisee's situation or otherwise, in each case in its sole discretion and without liability, to the extent permitted by law.

33. Cumulative Remedies.

Unless otherwise expressly provided under this Agreement, the rights and remedies granted to either Franchisee or Franchisor under this Agreement are cumulative and shall not prohibit either of them from exercising any other right or remedy provided under this Agreement or permitted at law or in equity.

34. Discretionary Enforcement.

Franchisor has the right to prescribe, modify and/or eliminate policies that Franchisee must follow and which may involve marketing restrictions or restrictions on products and/or services that Franchisee can use or provide in Franchisee's Franchised Business, among other matters. Franchisor has the right to permit individual deviations from such policies and subject to such conditions as Franchisor elects, and to choose to not enforce (or to selectively enforce) any provision of this Agreement or any other agreement or standard or policy, whether with respect to Franchisee and/or any other franchisee or other person, in a lawful manner without any liability.

35. Definitions.

The following definitions apply to terms used this Agreement:

"**Accepted Location**" – As defined in Section 3.A and identified on Schedule A.

"**Affiliate**" – Any Business Entity which controls, is controlled by or is under common control with another Business Entity.

"**Agreement**" – This Franchise Agreement.

"**Approved Suppliers**" – As defined in Section 13.D.

"**Attorneys' Fees**" – Includes, without limitation, legal fees, whether incurred in preparation of the filing of any written demand or claim, action, hearing, arbitration, or other proceeding to enforce the obligations of this Agreement, or during any such proceeding, plus all costs incurred in connection therewith.

"**Business Entity**" – Includes a corporation, partnership, joint venture, limited liability company, limited partnership, or other form of business recognized in any jurisdiction. If Franchisee is a Business Entity, then Franchisor has the right to require each of Franchisee's Owners to guarantee Franchisee's performance. Franchisor's current form of Owners' Guarantee is attached as Schedule B of this Agreement.

"**Claim**" – As defined in Section 29.A.

"**Computer System**" – As defined in Section 12.C.

"**Confidential Information**" – As defined in Sections 8.A and 8.B.

"**Copyrighted Works**" – As defined in Section 6.

"**Designated Owner**" – A person who holds an equity interest in the Franchised Business, is responsible for Tea Shop supervision and is identified on Schedule A, as applicable.

"**Effective Date**" – The date this Agreement is made, as provided on the first page and in the first paragraph of this Agreement.

"**Equipment**" – Includes all appliances, ovens, sinks, hardware, counters, furniture, small wares, and other assets authorized by Franchisor from time to time for use or sale at or from Franchisee's Tea Shop and/or in association with the Marks and in each case only as approved by Franchisor and subject to change or elimination by Franchisor.

"**Expiration Date**" – The date this Agreement ends, as noted on first page of this Agreement.

“**Family Member**” – As defined in Section 15.B.

“**Franchise**” – The license to operate a HECHALOU™ Tea Shop business according to System Standards, providing only Products and Services approved by Franchisor and using the System and Marks in compliance with the terms of this Agreement.

“**Franchised Business**” – As defined in Section 1.A.

“**Franchisee**” – As defined in the introductory paragraph of this Agreement and in Section 31.A.

“**Franchisor**” – Hechalou International LLC

“**Franchisor Associates**” – Hechalou Corporation, each Affiliate thereof and Franchisor’s Affiliates, and each of their respective current and future shareholders, members, partners, managers, trustees, directors, officers, employees, agents, attorneys, and representatives, as well as Franchisor’s current and future shareholders, members, partners, managers, trustees, directors, officers, employees, agents, attorneys, and representatives.

“**General Release**” – A general release, in the then-current form prescribed by Franchisor at the time such release is to be delivered, of any and all claims, liabilities and/or obligations, of any nature whatsoever, including those existing as of, and/or arising before, the date of any such release, however arising, known or unknown, whether against Franchisor and/or any Franchisor Associates or any of their respective shareholders, members, managers, officers, directors, partners, employees, agents and representatives, and whether by Franchisee, any Franchisee Owner (if Franchisee is or becomes a Business Entity) and/or any Affiliate of any of the foregoing. A copy of Franchisor’s general releasing language (which is subject to change) is attached as Schedule C and is approved by Franchisee.

“**Gross Revenues**” – As defined in Section 11.D.

“**Gross Revenues Report**” – As defined in Section 12.B.

“**Indemnified Parties**” – As defined in Section 14.B.

“**Initial Franchise Fee**” – As defined in Section 11.A.

“**Initial Term**” – As defined in Section 2.A.

“**Initial Training Program**” – As defined in Section 4.A.

“**Manual**” – If published and as described in the Recitals of this Agreement and discussed in Section 7.

“**Marks**” **–** The trademarks, service marks and other commercial symbols now and/or in the future owned by (or licensed to) Franchisor to identify the Services and Products offered in HECHALOU™ Tea Shops, including “TRADE MARK HECHALOU & Design™,” “HECHALOU™” and other logos and identifiers designated by Franchisor from time to time.

“**Opening Period Deadline**” – As defined in Section 3.D.

“**Owner**” – Any holder, direct or indirect, of a legal or beneficial interest in a Business Entity Franchisee or Franchisor, as the context requires, including, but not limited to, any such shareholder, member, manager or partner.

“**Permanent Disability**” – As defined in Section 19.

“**Products**” – Goods authorized by Franchisor from time to time for use or sale at or from Franchisee’s Tea Shop and/or in association with the Marks and in each case only as approved by Franchisor and subject to change or elimination by Franchisor, including without limitation signage, ingredients, menu items, inventory and assets for the Franchised Business.

“**Proprietary Products**” – As defined in Section 13.G.

“**Renewal**” – As defined in Section 2.B.

“**Renewal Fee**” – As defined in Section 2.B(viii).

“**Royalty Fee**” – As defined in Section 11.C.

“**Services**” – Services authorized by Franchisor from time to time for use or sale at or from Franchisee’s Tea Shop and/or in association with the applicable Marks and in each case only as approved by Franchisor and subject to change or elimination by Franchisor.

“**Similar Business**” – As defined in Section 15.B.

“**System**” – As defined in the opening recital of this Agreement and inclusive of the Marks, Copyrighted Works and Trade Secrets, all of which Franchisor may continue to develop and change over time and with which Franchisee must comply.

“**System Standards**” – Standards, specifications, and any mandatory policies and rules prescribed by Franchisor in its sole and absolute discretion from time to time, in any Manual or other written publication, applicable to operations, training, inventory, Equipment, Tea Shop layout and design, Approved Suppliers and approved Products and Services, marketing and other aspects of HECHALOU™ Tea Shop businesses.

“**Tea Shop**” or “**HECHALOU™ Tea Shop**” – The HECHALOU™ business Franchisee is franchised to operate when Franchisee signs this Agreement, as defined in the opening paragraphs of this Agreement. A Tea Shop may include traditional retail locations and, upon Franchisor’s approval, non-traditional retail locations such as food courts, store-within-a-store venues and kiosks.

“**Tea Shop Maintenance Activities**” – As defined in Section 13.B.

“**Tea Shop Managers**” – As defined in Section 4.A.

“**Tea Shop Pre-Opening Fee**” – The required fee for certain pre-opening services Franchisor will provided for the Tea Shop, which includes (a) 3-dimentional renderings for the Tea Shop’s interior and storefront, (b) review the floor plan for the Tea Shop provided by Franchisee’s architect and coordinate with Franchisee’s architect to finalize the floor plan, and (c) coordinate and review with Franchisee’s contractor to ensure the construction of the Tea Shop complies with the specifications of the System, as provided in Section 11.B.

“**Tea Shop Update**” – As defined in Section 13.B.

“**Term**” – As defined in Section 2.A.

“**Trade Dress**” – The distinctive HECHALOU™ Tea Shop design and image which Franchisee is licensed to use under this Agreement and which is subject to change by Franchisor at any time and in its sole discretion.

“**Trade Secrets**” – Information that is proprietary to Franchisor or any Franchisor Associates, including a formula, procedure, pattern, compilation, program, receipt, formula, customer lists and related data, device, discovery, invention, method, technique or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and/or is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

“**Transfer**” – As defined in Section 18.B.

“**Transfer Fee**” – As defined in Section 18.D(v).

“**Website**” or “**HECHALOU™ Website**” – As defined in Section 10.C.

IN WITNESS WHEREOF, the parties, intending to be legally bound, have executed this Agreement on the day and year first above written.

THIS AGREEMENT WILL NOT BECOME EFFECTIVE UNLESS AND UNTIL SIGNED BY FRANCHISOR.

FRANCHISOR:

Hechalou International LLC,
a Delaware limited liability company

By: ___________________________________
Name:
Title:

FRANCHISEE:

____

By: ___________________________________
Name:
Title:

SCHEDULE A TO THE FRANCHISE AGREEMENT

FRANCHISEE OWNERS, DESIGNATED OWNER AND ACCEPTED LOCATION

Franchisee: ____

Franchisee Owners (Holders of Legal or Beneficial Interest):

Name: ______________________________	Name: ______________________________
Position/Title: ________________________	Position/Title: ________________________
Home Address: ______________________	Home Address: ______________________
____________________________________	____________________________________
____________________________________	____________________________________
Telephone No.: ______________________	Telephone No.: ______________________
E-mail address: ______________________	E-mail address: ______________________
Percentage of ownership: ______________%	Percentage of ownership: ______________%
Name: ______________________________	Name: ______________________________
Position/Title: ________________________	Position/Title: ________________________
Home Address: ______________________	Home Address: ______________________
____________________________________	____________________________________
____________________________________	____________________________________
Telephone No.: ______________________	Telephone No.: ______________________
E-mail address: ______________________	E-mail address: ______________________
Percentage of ownership: ______________%	Percentage of ownership: ______________%

Designated Owner

The Designated Owner is ____. A change in the Designated Owner requires Franchisor's advance written consent.

Any notice or information delivered to the Designated Owner by Franchisor shall be deemed delivered or provided to all Owners of the Franchised Business and of Franchisee, if Franchisee is a Business Entity. Franchisee and Owners agree that Franchisor may rely on information, direction and representations made by such Designated Owner and that such information/direction/representations are authorized by and made on behalf of Franchisee and each Franchise Owner.

Addresses for Notices

The Addresses for Notices are as follows:

Franchisor: Hechalou International LLC
430 South Garfield Avenue, Suite 489
Alhambra, California 91801
E-Mail: rick.hsu@hechalou.com

Franchisee: ______________________
____
____
E-Mail:________________

Accepted Location

____
(Insert Street Address, City, State)

(Signatures on Next Page)

IN WITNESS WHEREOF, each of the undersigned has executed this Schedule A on the day and year noted below.

FRANCHISOR:

Hechalou International LLC,
a Delaware limited liability company

By: ___________________________________
Name:
Title:

FRANCHISEE:

____

By: ___________________________________
Name:
Title:

Date: _____________________

SCHEDULE B TO THE FRANCHISE AGREEMENT
GUARANTEE AND ASSUMPTION OF OBLIGATIONS

THIS **GUARANTY AND ASSUMPTION OF OBLIGATION** is given this _____day of ________________, 20___, by ____.

In consideration of, and as inducement to, the execution of that certain Franchise Agreement of even date herewith ("**Agreement**") by Hechalou International LLC ("**Franchisor**"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that ____ ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including, without limitation, the provisions of Article 15. Notwithstanding clauses (a) and (b) above, a spouse who is also a guarantor hereunder and who becomes widowed and who does not have (and will not obtain) an ownership interest in the Franchisee, the Agreement, or any Franchise Agreement granted thereunder as an owner, co-owner, investor, member, partner, shareholder or like capacity shall not thereafter be held responsible for any monetary obligations thereafter arising out of the terms and conditions of this Guaranty and Assumption of Obligations unless any such ownership interest is acquired in any manner by the widowed spouse, or the widowed spouse's or deceased spouse's children. Notwithstanding any change in ownership resulting from the death of a spouse, all monetary obligations and liabilities existing at the time of death shall continue to be an obligation of the surviving spouse until such obligations or liabilities shall be paid in full by the estate or by the guarantor spouse. Notwithstanding the limitations set forth above, any and all other non-monetary obligations of the Agreement, including without limitation the restrictions of Article 15, shall remain an obligation of the surviving spouse.

Each of the undersigned waives: (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (iii) protest and/or non-performance of any obligations hereby guaranteed; (iv) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (v) any and all other notices and legal or equitable defenses to which it may be entitled.

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

IN WITNESS WHEREOF, each of the undersigned has hereunto written his/her signature on the same day and year as the Agreement was executed.

Guarantor(s):	**Percentage of Ownership of Franchisee**	
______________________ (Signature)	________%	______________________ (Typed or Printed Name)
______________________ (Signature)	________%	______________________ (Typed or Printed Name)
______________________ (Signature)	________%	______________________ (Typed or Printed Name)
______________________ (Signature)	________%	______________________ (Typed or Printed Name)
______________________ (Signature)	________%	______________________ (Typed or Printed Name)

SCHEDULE C TO THE FRANCHISE AGREEMENT
CURRENT FORM OF
RELEASING LANGUAGE
(SUBJECT TO CHANGE BY FRANCHISOR)

NOT TO BE SIGNED WITH THE FRANCHISE AGREEMENT

Release - General Provisions. The Franchisee(s), together with any Owner of the Franchisee (if the Franchisee(s) are or become a Business Entity), on their own behalf and on behalf of each of their respective Affiliates, shareholders, members, managers, partners, officers, directors, employees, agents, representatives, successors and assigns (collectively, the "***Franchisee Parties***"), hereby release and forever discharge each and all of the Franchisor-Related Persons/Entities (as defined below) of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, agreements or promises, liabilities, claims, demands**, damages, losses, costs or expenses, of any nature whatsoever, howsoever arising, known or unknown**, fixed or contingent, past or present, that the Franchisee Parties (or any of them) now has or may hereafter have against any or all of the Franchisor-Related Persons/Entities by reason of any matter, cause or thing whatsoever from the beginning of time to the date hereof (the "***Claims***"), it being the mutual intention of the parties that this release be unqualifiedly general in scope and effect and that any Claims against any of the Franchisor-Related Persons/Entities are hereby forever canceled and forgiven; provided that this Release shall not apply to any Claims arising from representations in any Franchise Disclosure Document received by Franchisee Parties, or any of them, in connection with the acquisition of a HECHALOU™ Franchise, or any Claims for violations of federal and/or state franchise registration and disclosure laws or state franchise relationship laws, to the extent such a release is precluded by applicable law (individually and collectively, "***Excluded Matters***").

THE FRANCHISEE PARTIES ACKNOWLEDGE THAT THEY ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM/HER MUST HAVE MATERIALLY AFFECTED HIS/HER SETTLEMENT WITH THE DEBTOR."

THE FRANCHISEE PARTIES, BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF THEIR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, CALIFORNIA AND/OR JURISDICTIONS OF FRANCHISEE PARTIES' RESIDENCE AND THE LOCATION OF FRANCHISED BUSINESS; EXCEPTING ONLY THOSE CLAIMS SOLELY RELATED TO EXCLUDED MATTERS.

The Franchisee Parties expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Franchisee Parties, and it is the Franchisee Parties intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Franchisee Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Franchisee Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Franchisee Parties, in the Franchisee Parties' independent judgment, believe necessary or appropriate. The Franchisee Parties have not relied on any statement, promise, representation or otherwise, whether of fact, law or otherwise, or lack of disclosure of any fact, law or otherwise, by the Franchisor-Related Persons/Entities or anyone else, not expressly set forth herein, in executing this document and/or the related releases.

Franchisee(s) Initials: _______N/A__________

Franchisee Owner(s) Initials: _______N/A__________

No Assignment or Transfer of Interest. The Franchisee Parties represent and warrant that there has been, and there will be, no assignment or other transfer of any interest in any Claims that the Franchisee Parties may have against any or all of the Franchisor-Related Persons/Entities, all Claims having been fully and finally extinguished, and the Franchisee Parties agree to forever indemnify and hold the Franchisor-Related Persons/Entities harmless from any liability, claims, demands, damages, losses, costs, expenses or Attorneys' Fees incurred by any of the Franchisor-Related Persons/Entities as a result of any person asserting any interest in any of the Claims and/or any voluntary, involuntary or other assignment or transfer, or any rights or claims under any assignment, transfer or otherwise. It is the intention of the parties that this indemnity does not require payment by any of the Franchisor-Related Persons/Entities as a condition precedent to recovery against the Franchisee Parties under this indemnity.

Attorneys' Fees. If the Franchisee Parties, or anyone acting for, or on behalf of, the Franchisee Parties or claiming to have received, by assignment or otherwise, any interest in any of the Claims, commence, join in, or in any manner seek relief through any suit (or otherwise) arising out of, based upon or relating to any of the Claims released hereunder or in any manner asserts against all or any of the Franchisor-Related Persons/Entities any of the Claims released hereunder, the Franchisee Parties agree to pay all Attorneys' Fees and other costs incurred by any of the Franchisor-Related Persons/Entities in defending or otherwise responding to said suit or assertion directly to the Franchisor-Related Persons/Entities incurring such costs.

"Franchisor-Related Persons/Entities." Hechalou Corporation and its affiliates, and each of their respective predecessors, successors and assigns, and the shareholders, officers, directors, members, managers, partners, agents, employees, attorneys, heirs, executors and representatives of each of the foregoing, whether past, current or future.

Date of Releases, Joint and Several Liability. The releases granted hereunder will be deemed effective as of the date hereof. The liabilities and obligations of each of the Franchisee Parties (and any other person/entity providing releases to the Franchisor-Related Persons/Entities) will be joint and several.

EXHIBIT C TO THE DISCLOSURE DOCUMENT

LISTS OF CURRENT AND FORMER FRANCHISEES

Current Franchisees:

Hechalou US LLC*
2604 East Carson Street
Lakewood, CA 90712
Tel: (562) 755-7091

**See Table 5 of Item 20.*

Former Franchisees:

None.

EXHIBIT D TO THE DISCLOSURE DOCUMENT

STATE FRANCHISE LAW ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

[see attached]

STATE FRANCHISE LAW ADMINISTRATORS

California:
Department of Financial Protection and Innovation
One Sansome Street, Suite 600
San Francisco, CA 94104

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

1201 Arena Boulevard
Sacramento, CA 95834

1455 Frazee Road, Suite 315
San Diego, CA 92108

www.dfpi.ca.gov
(866) 275-2677
Ask.DFPI@dfpi.ca.gov

Hawaii:
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois:
Office of the Attorney General
500 South Second Street
Springfield, IL 62706

Indiana:
Indiana Securities Division
Secretary of State
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Maryland:
Office of the Attorney General
Division of Securities
200 Saint Paul Place
Baltimore, MD 21202-2020

Michigan:
Michigan Attorney General's Office
Consumer Protection Division
Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48913

Minnesota:
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101

New York:
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8222

North Dakota:
North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, ND 58505

Oregon
Director
Department of Consumer & Business Services
Division of Finance & Corporate Securities
P.O. Box 14480
Salem, Oregon 97309-0405
(503) 378-4140

Rhode Island:
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex, Building 69-1
Cranston, RI 02920-4407

South Dakota:
Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, SD 57501

Virginia:
State Corporation Commission
Division of Securities and
Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219

Washington:
Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, WA 98507-9033
(360) 902-8760

Wisconsin:
State of Wisconsin
Office of the Commissioner of Securities
201 W. Washington Ave.
Madison, WI 53703

AGENTS FOR SERVICE OF PROCESS

The Franchisor has not appointed the agent identified below unless it has registered in that state, as noted in Exhibit F.

California:
Department of Financial Protection and Innovation
1 Sansome Street, Suite 600
San Francisco, California 94104

Hawaii:
Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois:
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana:
Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

Maryland:
Securities Commissioner
200 Saint Paul Place
Baltimore, Maryland 21202-2020

Michigan:
Department of Attorney General's Office
Consumer Protection Division
670 Law Building
Lansing, Michigan 48913

Minnesota:
Commissioner of Commerce
85 7th Place E.
St. Paul, MN 55101

New York:
Secretary of State
99 Washington Avenue
Albany, New York 12231

North Dakota:
Commissioner of Securities
600 East Blvd., 5th Floor
Bismarck, North Dakota 58505

Rhode Island:
Director of Business Regulation
Division of Securities
John O. Pastore Complex 69-1
1511 Pontiac Avenue
Cranston, RI 02920

South Dakota:
Director
Securities Division
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

Virginia:
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

Washington:
Director
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501

Wisconsin:
Administrator
Department of Financial Institutions
Division of Securities
201 W. Washington Ave.
Madison, Wisconsin 53703

EXHIBIT E TO THE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDUM

[see attached]

CALIFORNIA ADDENDUM
TO THE
FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND RELATED AGREEMENTS

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

2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPRSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

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

4. 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.).

5. The franchise agreement contains covenants not to compete which extend beyond the termination of the franchise. These provisions may not be enforceable under California law.

6. Section 31125 of the California Corporation Code requires the franchisor to provide you with a Disclosure Document before asking you to agree to a material modification of an existing franchise.

7. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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

9. The franchise agreement requires mediation and, if necessary, binding arbitration. The mediation and arbitration will occur in Los Angeles County, California with each party bearing its own costs. 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. Business and Professions Code Section 20040.5 relating to forum selection clauses restricting venue outside the state of California or arbitration may be preempted by the Federal Arbitration Act. Section 20040.5 may still apply to any provision relating to judicial proceedings. A binding arbitration provision may not be enforceable under generally applicable contract defenses, such as fraud, duress, or unconscionability.

10. OUR WEBSITE, https://hechaloutea.com.tw/, 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.

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

12. The highest interest rate allowed by law in California for late payments is 10% annually.

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

14. 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.

15. The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all of its pre-opening obligations and franchisee is open for business.

NEW YORK ADDENDUM
TO THE
FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND RELATED AGREEMENTS

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

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

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

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

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

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

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

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

WASHINGTON ADDENDUM
TO THE
FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND RELATED AGREEMENTS

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

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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

The undersigned does hereby acknowledge receipt of this addendum.

Dated: ______________________

FRANCHISOR:	FRANCHISEE:
Hechalou International LLC	__________________________________
By: _______________________________	By: _______________________________
Name:	Name:
Title:	Title:

EXHIBIT F TO THE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

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

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

STATE	EFFECTIVE DATE
California	[TBD]
New York	[TBD]
Washington	[TBD]

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT G TO THE DISCLOSURE DOCUMENT

RECEIPTS

[see attached]

RECEIPT

(RETURN THIS COPY TO US)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Hechalou International LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, except as noted below.

The state laws of New York and Rhode Island require that Hechalou International LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

The state laws of Michigan require that Hechalou International LLC give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Hechalou International LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit D.

The franchisor is Hechalou International LLC, located at 430 South Garfield Avenue, Suite 489, Alhambra, California 91801. Its telephone number is (626) 282-3700.

Issuance date: September 19, 2024

The franchise seller for this offering is:

____
____
____
____

Hechalou International LLC authorizes the agents listed in Exhibit E to receive service of process for it, where applicable.

I have received a Disclosure Document dated September 19, 2024*, that included the following Exhibits:

A. Financial Statements
B. Franchise Agreement and Schedules
    A. Franchisee Owners, Designated Owner and Accepted Location
    B. Guarantee and Assumption of Obligations
    C. Current Form of Releasing Language
    D. Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (Non-California Franchisees)
    E. California Addendum and Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (California Franchisees)
C. List of Current and Former Franchisees
D. Lists of State Administrators and Agents for Service of Process

E. State Specific Addendum
F. State Effective Dates
G. Receipts

*The effective date of this Disclosure Document may be different in your state. Please refer to Exhibit F of this Disclosure Document for a list of effective dates.

Date:____________________
(Do not leave blank)

____
Signature of Prospective Franchisee

____
Print Name

Please return this signed and dated receipt to:

Hechalou International LLC
430 South Garfield Avenue
Suite 489
Alhambra, California 91801
Attention: Rick Hsu
rick.hsu@hechalou.com

RECEIPT

(KEEP THIS COPY FOR YOUR RECORDS)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Hechalou International LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, except as noted below.

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F. State Effective Dates
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*The effective date of this Disclosure Document may be different in your state. Please refer to Exhibit F of this Disclosure Document for a list of effective dates.

Date:____________________ ____________________________________
(Do not leave blank) Signature of Prospective Franchisee

____
Print Name

Please return this signed and dated receipt to:

Hechalou International LLC
430 South Garfield Avenue
Suite 489
Alhambra, California 91801
Attention: Rick Hsu
rick.hsu@hechalou.com