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FRANCHISE DISCLOSURE DOCUMENT

TAPIOCA EXPRESS, INC.
A California corporation
1908 Central Avenue
South El Monte, California 91733
(626) 453-0777
www.tapiocaexpress.com
franchise@tapiocaexpress.com

As a franchisee you will operate a Tapioca Express beverage and food store. You will sell a variety of tea products such as milk tea, flavored tea, and juice. In addition, you will sell contemporary drink products such as smoothies, and freshly made juice. Tapioca Express stores will also feature cooked to order oriental snack items made with proprietary ingredients for customers. Tapioca Express stores will also sell coffee and other drink items to the customers.

The total investment necessary to begin operation of a Tapioca Express franchise is between $153,500 - $539,500. This includes between $60,500 to $ 79,000 that must be paid to the franchisor or its affiliates.

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 Stephanie Hsueh at 1908 Central Avenue, South El Monte, California 91733 and (626) 453-0777.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, 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 be laws on franchising in your state. Ask you state agencies about them.

The issuance date is September 12, 2016

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US FIRST BY MEDIATION, AND IF THAT PROCESS DOES NOT RESULT IN RESOLUTION, BY ARBITRATION. MEDIATION MUST BE HELD IN SOUTH EL MONTE OR ELSEWHERE IN LOS ANGELES COUNTY, CALIFORNIA. ARBITRATION MUST OCCUR IN CALIFORNIA. OUT-OF-STATE MEDIATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE AND ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.

THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT; ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

See the next page for State Effective Dates.

STATE EFFECTIVE DATES

The following states require that this 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 Disclosure Document is either registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	
Connecticut	N/A
Florida	March 14, 2016
Hawaii	N/A
Illinois	N/A
Indiana	N/A
Kentucky	N/A
Maine	Trademark Exempt
Maryland	N/A
Michigan	N/A
Minnesota	N/A
Nebraska	N/A
New York	
North Carolina	N/A
North Dakota	N/A
Rhode Island	N/A
South Carolina	N/A
South Dakota	N/A
Texas	November 18, 2002
Utah	N/A
Virginia	N/A
Washington	
Wisconsin	N/A

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EXHIBITS

ITEM 1

THE FRANCHISOR, AND PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, the words "we," "our," "us" and "TEI," refer to Tapioca Express, Inc., the franchisor. "You" means the person or entity who buys the franchise. To fully understand all your and our rights and obligations to each other, you must still carefully review the actual agreements that you will execute. These will control if there is any dispute between us.

The Franchisor and Any Parents, Predecessors and Affiliates

We are a California corporation formed on May 25, 1999, under the name TAPIOCA EXPRESS, INC. Our principal place of business and business address is 1908 Central Avenue, South El Monte, California 91733. We do business under our corporate name and under the name of "Tapioca Express, Inc." ("TEI") We have no parent or predecessor. Big Stage, Inc., our affiliate, with its principle place of business located at 9703 El Poche St Unit B, South El Monte, California 91733, supplies various products, ingredients, and equipment to TEI for resale to our franchisees. Big Stage, Inc. has never offered franchises in this or any other line of business. Big Stage, Inc. does not own or operate a business of the type being franchised.

Our agent for service of process is listed on Exhibit A.

Our Prior Business Experience

From 1999 to October 2003, we conducted a business similar to the one we offer to license to you to operate. We do not currently own or operate a business of the type being franchised. We started to offer franchise in the beginning of 2002. We have not offered franchises in any other line of business.

The Business

As a franchisee, you will operate a Tapioca Express beverage and food store. You will sell variations of tea products such as milk tea, flavored tea and related products. In addition, you will sell contemporary drink products such as smoothies and freshly made juice. Tapioca Express stores will also feature cooked to order oriental snack items made with proprietary ingredients for customers. Tapioca Express stores will also sell coffee and other drinks items to the customers. We offer one type of franchise program by this Disclosure Document.

Market and Competition

If we authorize you to operate a store under the Franchise Agreement, attached to this Disclosure Document as Exhibit B, your store (the "Licensed Store") will compete with other similar establishments, some of which may be franchise systems. The target market for the products offered by the Licensed Store includes the general public, unless the Licensed Store is located at a non-traditional site, then your market will be limited to the persons employed at, attending or frequenting the facility where your Licensed Store is located.

Industry Regulation

California and other states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Licensed Store, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the store premises; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; and (e) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in restaurants. While NLEA specifies a number of exemptions for restaurants, there are many instances where a nutritional label is required. The Food and Drug Administration's *Nutritional Labeling Guide for Restaurants and Other Retail Establishments* provides answers to commonly asked questions regarding the application of NLEA.

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer, Director: Cheng-Wei Lin

Mr. Lin was our President and Director from our incorporation in May 1999 to January 2009. Since January 2009, Mr. Lin has been our Chief Executive Officer and Director.

Chief Financial Officer, Director: Stephanie Hsueh

Ms. Hsueh has been our Chief Financial Officer since January 2009. From our inception in May 1999 to 2004, she was our Accounting Manager. She became the Chief Financial Officer in 2004 and was our Chief Executive Officer later in 2004 to January 2009.

Operations Director: Jessie Ho

Ms. Ho has been our Operations Director since February 2012.From September 2010 to February 2012 Ms. Ho was a Research Associate At Taipei Taiwan, ROC.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

You must pay us an initial payment of $51,000 in a lump sum upon signing the Franchise Agreement. This amount includes the following fees: an initial franchise fee of $15,000; a training fee of $3,000; a product deposit fee of $10,000 in the California and $15,000 outside California; a grand opening marketing materials fee of $6,000; and mandatory equipment purchase for $17,000. The initial franchise fee represents payment to us for the right to use the Trademarks and the Tapioca System in the development and operation of your Licensed Store. The initial franchise fee of $15,000 is partially refundable in certain circumstances, as described below, and the product deposit fee of $10,000-$15,000 is refundable without interest when your Franchise Agreement is terminated or expires without renewal. None of the other fees described in this paragraph are refundable.

In addition, you must also pay us initial inventory amount that ranges from $9,000 to $20,000 when you purchase your initial inventory from us before opening your Licensed Store. The range is an estimate only, and your actual cost depends on how much inventory you order. This amount is not refundable.

You must reimburse the expenses we incur related to our evaluation of the site you propose for your Licensed Store, including expenses for travel, lodging and meals. We estimate these expenses will range from $500 to $3,000. This amount is not refundable.

If you or your initial store manager does not satisfactorily complete the initial training program, we will refund the initial franchise fee of $15,000, less all reasonable expenses incurred by us in preparing the Franchise Agreement and all related documents, the grant of the franchise and other services and effort provided. However, the total refund will not exceed 30% of the initial franchise fee. You must sign documents acceptable to us that release our liability, terminate the relationship, indemnify us, and protect our Confidential Information that may have been released to you during the training before any money will be refunded to you.

There are no other payments to or purchases from us or any affiliate that you must make before your Licensed Store opens.

ITEM 6

OTHER FEES

Type of Fee (1)	Amount	Due Date	Remarks
Additional Training Fee	$1,500 per person, plus expenses	Payable before the training starts	Payable if you request that we provide our initial training program to more than two trainees

Type of Fee (1)	Amount	Due Date	Remarks
Continuing Royalty Fee (2)	2.5% of Gross Sales or \$500 per month, whichever is higher	Payable on the 5th day of each month (or the next business day if the 5th is not a business day)	The Royalty Fee can be increased to a maximum of 6% of Gross Sales or \$1,200 per month, whichever is higher. We have the right to receive Royalty Fee by electronic fund transfer.
Marketing Fee	0.5% of Gross Sales or \$100 per month, whichever is higher	Payable at the same time and in the same manner as the Royalty Fee	We will establish a Marketing Fund for the benefit of all Stores in the System
Local Advertising	0.5% of Gross Sales or \$100 per month, whichever is higher	Must be spent monthly	You conduct the advertising to promote your Licensed Store. This fee is paid to third parties directly. All advertising you propose to use must first be approved by us
Interest on Overdue Amounts	The lesser of 1.5% per month or the maximum rate allowed by applicable law	Upon demand	Interest is payable on any amounts owed to us or any affiliate of ours by you for Royalty Fees, Marketing Fees, product purchases, etc. Interest will accrue from the original due date until payment is received in full
Deviation from Standard	\$500 \$1,000 \$2,000	Upon second deviation from Standard Upon third deviation Each additional deviation	These charges are in addition to other remedies available to us.
Royalty & Marketing Payment Late Fee	\$100 for the Continuing Royalty Fee \$35 for the Marketing Fee	Immediately upon violation	Imposed if monthly payment is not received by the 10th of the month. This late fee is in addition to interest owed on the overdue amount
Royalty & Marketing Report Late Fee	\$20 per day (up to a maximum of \$100)	Immediately upon violation	Imposed if monthly report is not received by the 10th of the month.
Insufficient Funds Fee	\$35	If incurred	Payable if your bank rejects a payment owed to us or our affiliates

Type of Fee (1)	Amount	Due Date	Remarks
Replacement Fee for Operations Manual	$75	Immediately upon need	Payable if manual is lost or not returned in good condition
Audit Fee	Costs of conducting audit, depending on the situation, from about $500 to $3,000	Within 15 days after receipt of the inspection or audit report	Payable only if audit shows an understatement of Gross Sales of 2% or more. You must also pay interest on the understated amount plus applicable late fees
Transfer Fee	25% of our then current franchise fee	Payable upon transfer	No transfer fee if the transfer is to your wholly owned entity or among your existing owners.
Insurance	Amount of unpaid premium	Upon demand and as incurred.	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Renewal Fee	$3,000 for 2-year term; $5,000 for 5-year term	Upon signing Renewal Franchise Agreement	Only 2-year term renewal is available on the first renewal, other options are available upon subsequent renewals
Management Fee	10% of Gross Sales, plus expenses	If incurred	We have the right to step in and manage your Licensed Store in certain circumstances
Costs and Attorneys' Fees	Will vary under circumstances	On demand	If you default under your agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement
Indemnification	Will vary under circumstances	On demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Licensed Store or for costs associated with defending claims that you used the trademarks in an unauthorized manner

Type of Fee (1)	Amount	Due Date	Remarks
Repair, Maintenance, and Remodeling/ Redecorating	Will vary under circumstances	As incurred	Payable to approved suppliers. You must regularly clean and maintain your Licensed Store and its equipment. We may require you to remodel or redecorate your Licensed Store to meet our then-current image for all Tapioca Express Stores. We will not require you to remodel or redecorate your Licensed Store more frequently than every five years
ServSafe (or similar) Certification	$150 per person or the then-current market rate	As needed	Each of your managers and other employees we designate must be ServSafe or similarly certified. Payable to an approved supplier
Refresher Training Fee	$200 to $500 per person, plus expenses	Before training begins	We may offer periodic refresher training, and we may designate that attendance at any training session is mandatory for you and/or your manager
Transfer Management Training	$600	Before training begins	Two day management training if purchaser was an employee or manager at the Licensed Store.
Gift Cards and Loyalty Cards	To be determined		We reserve the right to develop a gift card and/or loyal card program for all Tapioca Express Stores. If we develop this program, you must participate in it
Violation of Non-competition Covenant	50% of Gross Sales of violating business or $800 per day per store, whichever is greater	On demand, if incurred	If you violate any non-competition covenant in the Franchise Agreement
Liquidated Damages	Will vary under the circumstances	15 days after termination	See note 3

Note:

1. All fees are payable to us, unless otherwise noted in the above chart. None of these fees are refundable.

2. Gross Sales means the aggregate amount of all sales of Tapioca Express Products, other items, and services made and rendered in connection with the operation of each Licensed Store, including sales made at or away from the premises of the Licensed Store, and all other things of value received by you in connection with the Licensed Store, whether for cash, check, credit, barter or otherwise, but excluding all federal, state or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority.

   If any state imposes a sales or other tax on the royalty fees, then we have the right to collect this tax from you.

3. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To Whom Payment Is To Be Made**
Initial Franchise Fee	$15,000	Lump sum	Upon signing Franchise Agreement	TEI
Product Deposit Fee	$10,000-$15,000	Lump sum	Upon signing Franchise Agreement	TEI
Initial Training Fee	$3,000	Lump sum	Upon signing Franchise Agreement	TEI
Site Evaluation Expenses	$500 to $3,000	As arranged	Before opening	TEI
Travel, Living and Other Expenses for Training [1]	$3,000 - $24,000	As arranged	During training	Vendors
Rent (1 month plus Security Deposit) [2]	$3,000 - $30,000	As arranged	Before opening	Lessor
Utility and Other Security Deposit [3]	$1,000 - $4,500	As arranged	Before opening	Vendors
Leasehold Improvement [4]	$30,000 - $200,000	As arranged	Varies with supplier	Vendors

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To Whom Payment Is To Be Made**
Equipment [5]	$45,000 - $120,000	As arranged	Varies with supplier	Vendors and TEI
Furniture & Fixtures [6]	$6,000 - $25,000	As arranged	Varies with suppliers	Vendors
Initial Inventory	$9,000 - $20,000	As arranged	Varies with suppliers, COD if with TEI	TEI and other vendors
Insurance [7]	$3,000 - $30,000	As arranged	Varies with suppliers	Vendors
Opening Advertisement	$1,000 - $5,000	As arranged	Before opening	Vendors
Grand Opening Marketing Materials [8]	$6,000	Lump sum	Before opening	TEI
Business License [9]	$1,000 - $3,000	As arranged	Before opening	Municipality
Additional Funds – 3 Months [10]	$15,000 -$30,000	As arranged	As required	Various
Professional Fees [11]	$2,000 - $6,000	As arranged	Before opening	Professional
TOTAL	$153,500 - $539,500			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable and the initial franchise fee is partially refundable in certain circumstances (see Item 5). We do not finance any portion of your initial investment.

Notes:

1. You will make arrangements and pay for the expenses for any persons attending the training program including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodation you choose. The estimate provided contemplates the training of one to two people for 48 to 65 hours, estimated to last about 10 days, based on 11 days hotel at $100 per day, $50 per day for food, excluding all other expenses. At your request and our agreement, we may provide the training at or near your Store. We will charge you for our traveling, lodging and per diem expenses, which must be paid before the training.

2. The rent estimates contemplate one month rent plus a lease security deposit of an equal amount, and is based on rent expenses in the Los Angeles, California area. The actual rent may vary significantly. Rent expense for a facility from which to operate the Licensed Store will vary based on location, square footage, age and condition of the structure, lease arrangements and other such factors. A typical Tapioca Express store will be approximately 1,200 square feet or approximately 600 square feet if it is located within a food court.

3. Utility companies may require you to place a deposit before installing telephone, gas, water, electricity and other utility services. These deposits may be refundable in accordance with the agreements made with the utility companies.

4. Leasehold Improvement refers to the estimated labor and material costs for the construction for tenant improvement for a new Tapioca Express Store. The cost of construction and leasehold improvements depends upon the size and condition of the premises, the local cost of contract work and the layout and location of the store. Our estimate includes the cost of reasonable renovation or leasehold improvements, and may be less if the lessor provides a construction allowance to lessee. Leasehold improvement costs may also vary depending on the store location. The costs may be higher in certain geographic areas. Our estimate does not include any tenant improvement allowance you may negotiate.

5. Equipment includes point of sale cash register, water purifying systems, coffee machine, web-based camera monitoring systems, kitchen and bar equipment (for examples, 3-compartment sink, kitchen freezer, ice maker, refrigerator, ranges, stove, range table, mop sink, exhaustion fan, prep sink). Additional items may be necessary. You may purchase or lease approved brands and models from approved suppliers. You must purchase point of sale cash register, water purifying systems, expresso tea machine, and web-based camera monitoring systems from us or our approved suppliers. We may ask you to purchase or install the equipment at different stages to be determined by us. The cost of the equipment will depend on financing terms available, the size of the facility, brands purchased and other factors.

6. Furniture & Fixture include tables, chairs, lighting fixture, and wall decorations to be used in the customer area of the store.

7. The insurance includes comprehensive business liability, worker's liability, and other insurance as applicable law, your landlord and we may require. Our estimate reflects the annual premium.

8. Grand opening marketing materials include Drink to-go menu, in-store light box logo, business and loyalty cards, poster display stand, wall posters, "Coming Soon" and "Grand Opening" banners, direct mailing, and menu boards. We may periodically adjust and revise these items.

9. This estimate includes health department license, food and handling certificate, and business license fees. The amount of the license fees vary by jurisdiction.

10. Additional Funds are the minimum recommended levels to cover operating expenses, including employee's salaries and payroll costs, for your first three months of operation, but we have not included an estimate of any revenue that the Licensed Store may generate in this three month period. We do not include the salary for the store manager, based on the assumption that you will manage the store. We cannot guarantee that our estimate will be sufficient. Additional working capital may be needed if sales are low or fixed costs are high. Disclosure laws require us to include this estimate of all costs and expenses to operate your franchise during the "initial phase" of your business, which is defined as three months or a longer period if "reasonable for the industry". We are not aware of any established longer "reasonable period" for the restaurant industry, so our disclosures cover a three month period.

11. Because the exact amount of reserves will vary from operation to operation and cannot be meaningfully estimated by us, WE URGE YOU TO RETAIN THE SERVICES OF EXPERIENCED PROFESSIONALS SUCH AS ATTORNEY, ACCOUNTANT, AND/OR

FINANCIAL ADVISOR TO RESEARCH AND DEVELOP A BUSINESS PLAN AND FINANCIAL PROJECTIONS FOR YOUR PARTICULAR OPERATION.

THE ABOVE NUMBERS ARE ESTIMATES ONLY. We have prepared these estimates based on our experience in operating a franchising Tapioca Express Stores since 1999. Except as expressly indicated otherwise, these estimates cover your initial cash investment up to the opening of the store. They do not provide for cash needs to cover any financing incurred or other expenses. You should not plan to draw income from the operation during the start-up and development stage of the business, the actual duration of which will vary materially from store to store and cannot be predicted by us for your particular store (and which may extend for longer than the three month "initial phase" described in Note 10). You must have additional monies available, whether in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses and any operating losses you may sustain, whether during the start-up and development stage or beyond. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of the business, which in turn will depend upon factors such as demographics and economic conditions in the area in which the store is located, the ability to operate efficiently and in conformance with our recommended methods of doing business, and competition.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchases of Tapioca Express Products and Other Items

We consider the reputation, good will, high standards, and uniformity of Tapioca Express Stores to be of critical importance to the overall success of Tapioca Express Stores and our System. To maintain this uniformity and our standards, there are equipment and products that you must purchase from either us or our designated suppliers or in accordance with our specifications and guidelines. Almost all of the equipment, fixtures, supplies, inventory, and signs for use or sale in your Licensed Store must meet our specifications.

You must purchase Food Containers from us. Food Containers currently means all cups, snack bags and bento boxes to be sold in the Licensed Store. Additionally, to maintain the high quality and uniformity of the standards, you must purchase certain equipment, products, and ingredients for the preparation of certain food items from us.

The recipes, formulation, and specifications of all Tapioca Express Products are trade secrets belonging exclusively to us. To meet our standards, you must purchase certain equipment, products, and ingredients for the preparation of certain Tapioca Express Products from us as specified in the Confidential Operations Manual. In addition, we may require that you purchase all soft goods, such as napkins, paper cups, boxes, and similar items which are part of the Tapioca Express System and which utilize the Trademarks, from us or a supplier we designate. There are no purchasing or distribution cooperatives for the System in which you must participate, but we reserve the right to form cooperatives in the future.

The following officers listed in Item 2 have an ownership interest in us: Cheng-Wei Lin. In addition, our Chief Financial Officer, Stephanie Hsueh, has an ownership interest in our affiliate, Big Stage, Inc. None of our officers has an ownership interest in any other approved supplier.

We estimate that the purchase of the inventory from us as described in this paragraph will represent approximately 75% to 90% of your total estimated purchases and leases of goods and services in establishing your Licensed Store and approximately 50% to 65% of your total estimated purchases and leases of goods and services in operating your Licensed Store.

For any products we sell directly to you, we reserve the right to earn a profit from these sales. During our fiscal year ended May 31, 2016, we had total revenue of $3,518,314.90, of which $2,820,189.31(or 88.16%) was from sales of products to our franchisees.

We are entitled to the benefit of all discounts, volume rebates, administration fees, commissions, advertising allowance or other advantages which we may obtain from any person supplying products or services to you, us and other franchisees. This revenue will be used for software modification, product research, warranty negotiation, and our general operations. During our fiscal year ended May 31, 2016, we had total revenue of $3,518,314.90, of which $0 (or 0%) was from rebates or other payments made to us by approved suppliers based on their sales to Tapioca Express Stores.

As we determine consumer preferences and trends in the marketplace or develop new marketing techniques, products, and services, we anticipate that we will formulate and modify our standards and specifications and our approved suppliers as we consider appropriate and necessary, and we will notify you of these developments in writing, including through amendments to our confidential Operations Manual, newsletters, other bulletins and/or e-mail.

We will not approve any other sources to manufacture or supply Food Containers and the specified ingredients for Tapioca Express Products. While we do require that you purchase certain supplies and materials from us, we do not provide or withhold material benefits to you based on whether or not you purchase through the sources we designate, except that purchases of unapproved products or from unapproved vendors in violation of the Franchise Agreement will entitle us, among other things, to terminate your Franchise Agreement.

If you wish to purchase unapproved products (except for Proprietary Products)or Store Items from other than approved suppliers, you must submit to us a written request to approve the proposed product or supplier, together with the evidence of conformity with our specifications as we reasonably specify. We will have the right to require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You may be required pay a charge, not to exceed the reasonable cost of the evaluation and testing. We will use our best efforts to complete our review within 6 months. If we do not give our written approval within this 6 month period, we will be deemed to have disapproved the proposed new supplier. We may occasionally revoke our approval of particular Products, Stores Items or suppliers if we determine, in our sole discretion, that the Products or suppliers no longer meet our standards. The way we evaluate our suppliers does not only rely on cost but also whether they demonstrate the ability to meet our standards and specification and whether they possess adequate quality controls and capacity to supply your needs promptly, reliably and credibility. Upon receipt of written notice of revocation, you must stop selling any disapproved product and/or stop purchasing from any disapproved supplier. We will provide our notices of approval of a new Product or supplier, or revocation of an existing Product or supplier, to you in writing (including e-mail).

Before you open the Licensed Store for business, you must obtain the insurance coverage for the Licensed Store that is required by the terms of your lease and applicable law, and that we specify in the Manual or otherwise in writing. Your insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a responsible, duly licensed carrier or carriers acceptable to us and having a rating of at least "A" with Best's Insurance Guide. All insurance must be on an "occurrence" basis. Currently you must maintain the following insurance: (1) casual insurance (including all of your goods, fixtures, furniture, equipment, and other personal property located on the Licensed Store) at 100% of the full replacement cost; (2) liability insurance insuring against all liability resulting from damage, injury, or death occurring to persons or property in or about the Licensed Store premises (including products liability insurance and employer liability insurance) with limits of not less than $2,000,000 for one person injured, $2,000,000 for any one accident, and $2,000,000 for property damage; (3) workers compensation as required by state law where your Licensed Store is located; (4) any insurance required by the terms of your lease; and (5) any insurance we may require in the future.

All insurance policies, except for workers' compensation, shall name us, our affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional named insureds. Also, all insurance policies shall expressly provide that not less than 30 days' prior written notice shall be given to us in the event of a material alteration to or cancellation of the policies, and that no modification will be effective unless approved in writing by us. You must provide us with a certificate of insurance showing that you have obtained the required policies not later than 10 days before your Licensed Store opens and upon each policy's renewal. At our request, you must provide us with full copies of each policy. We have the right to require that you obtain from your insurance company a report of claims made and reserves set against your insurance. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes. If you do not obtain any insurance as required, we have the right (but not the obligation) to purchase insurance on your behalf and you must reimburse our costs related to this purchase.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/ lease	§§2, 3.1 and 3.2	Item 11
b. Pre-opening purchases/leases	§§3.1 and 3.2	Items 6, 7, and 8
c. Site development and other pre-opening requirements	§§3.1 and 3.2	Items 7 and 11
d. Initial and ongoing training	§3.3	Items 6, 7, and 11
e. Opening	§§ 2.5(b), 3.1, and 3.5	Item 11
f. Fees	§§ 2, 3, 4, 5, 6, 9, 10, and 11	Items 5, 6, 7, 11, and 17
g. Compliance with standards and policies/operating manual	§§2, 3, 5, 6, and 7	Items 8, and 11
h. Trademarks and proprietary information	§§ 7, 9, and 10	Items 13, and 14

Obligation	Section in Franchise Agreement	Disclosure Document Item
i. Restrictions on products/ services offered	§§ 2, 5, and 7	Item 16
j. Warranty and customers service requirement	Not applicable	Item 11
k. Territorial development and sales quotas	Not applicable	Item 12
l. Ongoing products/service purchases	§§3.2, and 5	Item 8
m. Maintenance, appearance and remodeling requirements	§§3.2, and 5.1,	Item 11
n. Insurance	§5	Items 6 and 8
o. Advertising	§§ 3, 5, and 6	Items 6, 7, and 11
p. Indemnification	§§ 2, and 13	Item 6
q. Owner's participation/ management/staffing	§§3, and 5	Items 11 and 15
r. Records/reports	§5	Item 6
s. Inspections/audits	§5	Items 6 and 11
t. Transfer	§§9, and 10	Item 17
u. Renewal	§2	Item 17
v. Post-termination obligations	§§4, 5, and 7	Item 17
w. Non-competition covenants	§§8, and 11	Item 17
x. Dispute resolution	§14	Item 17
y. Other: Guarantee of franchisee obligations	Not applicable	Item 15, Exhibit C

ITEM 10

FINANCING

We do not offer any direct or indirect financing to you. We do not guarantee your note, lease or obligations.

ITEM 11

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

Except as listed below, Tapioca Express, Inc. is not required to provide you with any assistance.

Pre-Opening Obligation:

Site Selection:

We generally do not own the premises for the stores and lease them to franchisees. If you request, we will assist you in locating a site for your Licensed Store. When you sign your Franchise Agreement, if we have not already approved a site for your proposed store, we will approve a general area in which you can search for a location. You alone must locate and evaluate prospective sites for a store within the general area we designate and submit to us any information we require for us to evaluate the proposed site. You must present us with the information we require to evaluate the site not later than 30 days after you sign the Franchise Agreement. We will approve or disapprove your site selection within 20 days from your request for approval. You must reimburse the expenses we incur related to our evaluation of your proposed site, including travel, lodging and meals expenses. (Franchise Agreement ("FA"), §3.1, 3.2) You must open your store within 120 days from we both sign the Franchise Agreement unless we extend the time in writing. (FA §2.5(b))

In evaluating the site, we consider many factors such as general location, traffic pattern, parking availability, size of the site in relation to the environment, visibility and other physical characters of the proposed site. You acknowledge that our approval of a particular site does not constitute a recommendation or guarantee as to the suitability of the proposed site for the proposed franchise. The uncertainty and instability of the factors are beyond our control, and we will not be responsible for the failure of a site approved by us to meet expectations as to potential revenue or operational criteria. (FA §3.2)

Site Plan

We will provide you with standardized recommended floor plans and equipment layout plans. (FA §3.2) We will also provide you with information regarding the sources and requirements of signs, equipment, fixtures, furnishings, improvements, supplies, and other products and services for the operation of typical Tapioca Express Stores. (FA§ 3.2)

Training Program:

We will provide an initial training program for you and your initial store manager (if different from you) for the fixed costs of $3,000. The training is at our training facility at 1908 Central Avenue, S. El Monte, California, a Tapioca Express store at 228 W. Valley Boulevard, #105, Alhambra, California, and/or other facility in the vicinity of our above location. The training course takes 48-66 hours and lasts about 10 days. We anticipate that the training will provide a combination of classroom, on-the-job training, reviewing, and testing. Training materials are distributed at various times during the training course. The training will be supervised by Cheng-Wei Lin, who has at least 14 years of experience relevant to the subjects being taught and with us.

In addition to the training fee, you must pay all expenses you and your trainees incur while attending our training program, including travel, lodging, meals and applicable wages.

You, your store manager, or the persons who attend the training on your behalf must successfully complete the training program. If the trainee(s) does not complete the training program successfully, we may terminate the Franchise Agreement. We may at our discretion choose whether to allow you to repeat the training program. If we permit you to repeat the training program, you must pay the training fee again and all of the expenses you incur. (FA §2.5)

We may periodically offer additional training programs to you covering various subjects within the greater Los Angeles area. Fees ranging from $200-$500 per program may be charged to cover our costs and administrative overhead. (FA § 3.3) We may designate that attendance at these training programs is mandatory for you and/or your store manager. In addition to the training fee, you must pay all expenses you and your trainees incur while attending additional training programs, including travel, lodging, meals and applicable wages.

Our instructional materials include our Operations Manual, point of sale training manual, and any other materials that we deem beneficial in the training process. The pre-opening training program outline is as follows:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Corporate & Training Overview, Franchising, Marketing, Store environment introduction	6-8		Classroom in El Monte, California
Front counter operation I		6-8	Store
Front counter operation II		6-8	Store
Kitchen operation I		6-8	Store
Kitchen operation II		6-8	Store
Kitchen operation III		6-8	Store
Store opening procedures		2-3	Store
Store closing procedures		2-3	Store
POS Training	2-4		Classroom in El Monte, California
Store management & operations, equipment maintenance, food safety & handling, Inventory control & product ordering procedures, customer service training, and testing	6-8		Classroom in El Monte, California

Note: We reserve the right to continually refine and modify the training course and materials. We will provide grand opening assistance at the Licensed Store for three days at six hours per day. On-the-Job Training is provided at a franchise store or a company-owned store or facility located in Los Angeles County, California before the opening of your Licensed Store.

In addition to the initial training program and any additional on-site assistance or training you request, as described above, we offer refresher training programs and two day transfer management training for purchaser who were employees or managers at a Licensed Store. Purchasers are required to attend a two day management course costing $600. Purchasers are required to take product making hands-on test, if they fail to pass this test, they are required to attend the 10 days training program at regular training cost of $3000.

We may choose to hold a meeting of our franchisees to discuss updates to product offerings, marketing and promotion, to provide training, or for other matters. We may designate that attendance at the franchisee meeting is mandatory for you and/or your store manager. We will designate the location for the meeting, which will be held no more frequently than annually and in Los Angeles County, California, but we will not designate an unreasonably expensive location. We do not anticipate charging a fee for the franchisee meeting, but you must pay the out-of-pocket expenses your attendees incur while at the meeting, including travel, lodging, meals and applicable wages.

Confidential Operations Manual:

We will loan you a copy of our Operation Manual for your Licensed Store during the term of your Franchise Agreement. Our Operation Manual contains mandatory and suggested specifications, standards, and procedures. This manual is confidential and remains our property. TEI will periodically modify this manual, which may result in additional financial burdens on you. The table of contents of the Operation Manual is attached to this Disclosure Document as Exhibit E. Our Operation Manual includes approximately 130 pages.

Post-Opening Obligation:

During the operation of your Licensed Store, we will have the following obligations to you:

Products and Services

Since you must purchase certain products from us, we will make them available for your purchase. But we will not be liable to you if the products become unavailable to us. At your request, we will provide you with information about the sources and requirements of other products and services that you will not purchase from us. (FA § 5)

Operating Assistance

1. Furnish you guidance and operating assistance, at your reasonable request and our discretion, about: (1) methods, standards, specifications, and general operating procedures utilized by Tapioca Express stores, (2) purchasing approved equipment, fixtures, furnishings, signs, products, and supplies, (3) developing local advertising and promotional programs, and (4) providing employee training. We may furnish this guidance and assistance in the form of references to the Operational Manual, bulletins and other written materials, telephone consultation, bulletin, and electronic computer messages. (FA §3.5)

2. Conduct inspections of your Licensed Store as we deem necessary. (FA §5.5)

3. Provide training for any replacement store manager. (FA §3.3)

Advertising Program:

Under the Franchise Agreement, you must pay a Marketing Fee into a marketing fund ("Marketing Fund"). The Marketing Fee is presently set at one half percent (0.5%) of your Gross Revenue per month or $100 per month, whichever is higher. We may choose at any time to increase the Marketing Fee. You must pay the Marketing Fee with your Continuing Royalty. We deposit the Marketing Fee in a bank, commercial account or savings account. All company-owned Stores, if any, must pay into the Marketing Fund on the same basis as all franchised stores. We do not provide accounting of the Marketing Fund to our franchisees. If you request it in writing, we will send you an annual unaudited financial statement for the Marketing Fund which indicates how the Marketing Fund has been spent. The Marketing Fund is not audited.

We administer the Marketing Fund in our sole discretion. We may use the Marketing Fund to create, produce and place advertising, in-store signs, in-store promotion, commercial advertising, agency costs and commissions, to create and produce video, audio and written advertisements, to administer multi-regional advertising programs, including direct mail and other media advertising. We may also use the Marketing Fund to employ advertising agencies and in-house staff assistance, to support public relations, market research and other advertising and marketing activities. We do not solicit new franchisees through the Marketing Fund.

We may reimburse ourselves or our affiliates from the Marketing Fund for administrative costs, salaries and overhead expenses related to the administration of the Marketing Fund and its marketing programs, including conducting market research, preparing marketing materials, and collecting and accounting for Marketing Fees. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all Tapioca Express Stores to the Marketing Fund in that year. The Marketing Fund may borrow from third-party lenders to cover deficits or cause the Marketing Fund to invest any surplus for future use. Any amounts that remain in the Marketing Fund at the end of each year will carry forward to be spent in the next year. We do not guarantee that advertising expenditures from the Marketing Fund will benefit you or any other franchisee directly or indirectly. We assume no other direct or indirect liability or obligation to you for collecting amounts due to any advertising account or for maintaining, directing or administering any advertising account. (FA §6.1)

During the fiscal year ended May 31, 2016, the Marketing Fund had expenditures as follows: 8% for production, 32% for media placement, 60% for administrative expenses.

Local Advertising:

If you purchase a franchise, we may require you to spend, on a quarterly basis, at least the same amount as the Marketing Fee in conducting your own advertising and sales promotion programs for your Store (the "Local Advertising Fee"). All your advertising and promotion must be in a media and in a format that we approve, must be conducted in a dignified manner and must conform to the standards and requirements we specify. You may not use any advertising or promotional plans or materials until you receive our written approval. We will respond to your advertising approval request within 10 days from your request. Within 30 days after our request, you must provide us with proof that you have met the local advertising requirement. (FA §6.2) We reserve the right to require you to include certain language in your local advertising materials, such as "Franchises Available" and our website address and telephone number.

We do not anticipate forming, or approving the formation of, any regional marketing cooperatives.

Website / Intranet

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We may establish one or more websites accessible through one or more uniform resource locators ("URLs") and, if we do, we may design and provide for the benefit of your Licensed Store a "click through" subpage at our website for the promotion of your Licensed Store. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Licensed Store, you must routinely provide us with updated copy, photographs and news stories about your Licensed Store suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage.

Any websites or other modes of electric commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at Tapioca Express Stores – also be devoted in part to offering Tapioca Express franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and system-wide communications (among other activities) can be done. You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Licensed Store; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the "Tapioca Express" name or any name confusingly similar to the Trademarks.

You are not permitted to promote your Licensed Store or use any of the Trademarks in any manner on any social or networking websites, such as Facebook, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Licensed Store's operation, including prohibitions on your and the Licensed Store's employees posting or blogging comments about the Licensed Store or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook and MySpace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your "click through" subpage.

Cash Register, Computer and Camera Equipment

You must purchase and maintain an electronic point of sale cash register system to record gross sales and transaction data (such as date, item, quantity, and price). (FA §§5.1, 5.4)

You must purchase a specific type of cash register integrated with a personal computer ("Cash Register System"). The Cash Register System consists of hard and soft wares. The current main software is provided by Aldelo Systems, Inc. located at 4641 Spyres Way, Suite 4, Modesto, California 95356. (We may change the provider based on business consideration in our reasonable discretion.) This Cash Register System will be able to generate reports relating to profit and loss, sales, employee productivity, labor and food costs. We estimate that the initial cost of the Cash Register System will be from \$2,800 to \$3,400. We recommend, but do not require, that you have a maintenance contract for the Cash Register System. If you choose to have a maintenance contract, we estimate it could cost up to \$1,200 annually. Neither we nor any affiliate will provide you with any updates, upgrades or maintenance for your Cash Register System.

We reserve the right to require you to obtain any upgrades and/or updates to the software/hardware to be used with the gift card and/or loyal card program. The Franchise Agreement does not limit our ability to require you to update and/or upgrade your software/hardware and point of sale system or the cost of any update and/or upgrade. If we develop this program, all Tapioca Express stores must participate in it.

We reserve the right to integrate your Cash Register System with the camera and internet systems to allow us full, independent access data from your Cash Register System. If we do this, we may retrieve, analyze, download and use the software and all data on it at any time. We have the right to require that accounting, record-keeping and other business systems specified by us be used by you in operating and administering your Licensed Store business and that these systems be maintained in a uniform manner. You must maintain an e-mail address and fax number. You must check your e-mail and fax on a daily basis (except for weekends) and respond promptly to all e-mail, fax and other communications.

We reserve the right to require you to install and use a camera system meeting our standards and specifications. The camera system will be able to continuously transmit images of your Licensed Store through the internet and make images available to you and us in real time. If we require you to install a camera system, you must also install and maintain a high speed internet connection (such as DSL, cable modem or comparable connection) that will allow real time communications between you and us regarding the camera system. We may later integrate your Cash Register System with the camera and internet systems.

The camera system is not a substitute for your Store's security device or system. We recommend that you make other arrangements for the Store's security.

Neither we nor any third party has any contractual obligation to maintain, repair, update, or upgrade the Cash Register System or the camera system. In the Franchise Agreement, we reserve the right to require that you only use equipment that meets our specifications (Franchise Agreement §5.1(b)), and we may in the future require you to implement upgrades or complete changes to your Cash Register System and camera system. There are no contractual limitations on the frequency and cost of any required changes. We reserve the right to have access to the information in your Cash Register System, and you must make sure that we have access when we request it and you must maintain any hardware, software or telecommunication lines required to allow us access to your Cash Register System. This may include requiring you to provide a user ID and password to access your Cash Register System records that may be stored in the cloud.

ITEM 12

TERRITORY

You may only operate your Licensed Store at a particular location that we approve. You may not operate your Licensed Store at any other site without our prior written consent. If you have not selected a particular site for your proposed store when you sign your Franchise Agreement, we will designate a general geographic area to limit the area within which you may seek a location for your store. Except for private catering events or offering samples of products at or directly in front of your Licensed Store, you may not offer for sale or sell the products or services of your Licensed Store or any materials, supplies, or inventory bearing the Trademarks at any site other than your Licensed Store without our prior written consent.

You may not relocate your Licensed Store without our prior written consent. We will use our then-current criteria to evaluate any new location you propose for the Licensed Store, if we permit you to relocate it. We do not charge you a fee related to relocating the Licensed Store.

When we grant you a "Designated Territory" in the Franchise Agreement, we and our affiliates will not operate stores or grant franchises to others to operate Tapioca Express Stores or a similar or competitive business within the Designated Territory. However, we may sell Tapioca Express Products anywhere, including within your Designated Territory, for festivals, cultural or trade exhibitions, or other public events. There is no set formula for calculating the Designated Territory. The minimum Designated Territory is a radius of 0.5 mile from the Licensed Store. A margin of error of 1/10 of the radius in physical measurement is allowed.

We and our authorized affiliates retain the right to do the following: (1) sell and franchise and license others to sell Tapioca Express Products and other items and services under the Trademarks and other trademarks and service marks through Tapioca Express Stores on any terms and conditions and at any location outside your Designated Territory that we deem appropriate; (2) sell, market, and license and franchise others to sell, market any other products or services bearing the Trademarks through other channels of commerce such as grocery stores and retail outlets. These activities may compete with you.

If any non-traditional site (such as mall food courts, airports, hospitals, cafeterias, commissaries, schools, hotels, office buildings and stadiums, arenas, ballparks, festivals, fairs, military bases and other mass gathering locations or events) is located within the physical boundaries of your Designated Territory, then the premises of this non-traditional site will not be included in your Designated Territory and you will have no rights to this non-traditional site.

If your Licensed Store is located at a non-traditional site, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

There are no minimum sales quotas, market penetration or other contingency you must meet to maintain your Designated Territory.

You may sell Tapioca Express Products and related merchandise to retail customers and prospective retail customers who live anywhere but who choose to shop in your Store. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Designated Territory, and you will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Designated Territory, you may not make any sales or deliver any products to customers located outside of your Designated Territory, unless the customer is located in an area where there is not another Tapioca Express Store in operation. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell our products to any business or other customer at wholesale.

We and our affiliates may sell products under the Trademarks within and outside your Designated Territory through any method of distribution other than a dedicated Tapioca Express Store, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Designated Territory. We or our affiliates will fulfill any orders placed through our website for merchandise and you will not receive any portion of the revenue from these orders, even if the order is placed by or delivered to an address within your Designated Territory.

We have not yet established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Stores which sell our proprietary products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

ITEM 13

TRADEMARKS

Under the Franchise Agreement, we license you to use our Trademarks in the operation of your Licensed Store. At this time, we have registered the following trademarks, which are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Mark	Application Date	Serial Number	Registration Date	Registration No.
Tapioca Express (logo)	3/5/2012	85/560,927	4/30/2013	4,326,896
Tapioca Express (word mark)	3/5/2012	85/560,872	12/3/2013	4,442,188
Snow Bubble	1/2/2013	85/814,203	11/4/2014	4,630,644
Tapex	12/3/2007	77/342,674	7/15/2008	3,467,610

There are no currently effective material determination of the USPTO, the Trademark Trial and Appeal Board, the Trademark Administrator of any state or any court, nor is there any pending litigation, infringement, opposition, or cancellation proceeding involving the above trademarks. There are no agreements in effect that are material to the franchise.

If you adopt a corporate, partnership name, or business fictitious name, you may not use any of our trademarks, or any variation, abbreviation or words confusingly similar to the above trademarks and other trademarks. If local laws or ordinances require that you file an affidavit of doing business under an assumed name or otherwise make a filing indicating that "Tapioca Express" is being used as a fictitious or assumed name, you must include in the filing or application for use that your use of the "Tapioca Express" name is made "as a franchisee of Tapioca Express, Inc., South El Monte, California."

We have the right, but not the obligation, to protect you against claims of infringement or unfair competition arising out of your use of our trademarks. You must notify us of any infringements of the trademarks or limitations of use which come to your attention. We will have sole discretion in deciding what action, if any, should be taken and the sole right to control any litigation or administrative proceedings. You must cooperate with us in the prosecution of any action to prevent infringement, imitation, illegal use or misuse of our trademarks. You also agree to be named as a party in any action if we deem it necessary. We are not required to defend you from any claims against your use of our trademarks. If we choose to defend you, you will fully cooperate with us in our defense. If we do so, we will pay for the costs of the defense unless you elect to proceed through counsel of your own choice.

If we modify or discontinue the use of our trademarks, or any of them, you must also modify or discontinue use. You will bear the expenses of making these changes. We have no obligation to reimburse you for any expense resulting from these changes.

Upon termination or expiration of the Franchise Agreement, your right to use our trademarks shall terminate and you will not then identify yourself as a Tapioca Express franchisee or publicly identify yourself, or any business entity you are then associated with, as a former Tapioca Express franchisee, or use any of our Confidential Information or trade secrets.

There are no infringing uses known to us which could materially affect your use of our trademarks, trade names, logotypes, or other commercial symbols in any state.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own patents that are material in connection with the franchised business. We claim common law copyright and proprietary rights in Confidential Information, operation manual, and other materials made available to you. These manuals and other materials contain proprietary information and trade secrets and are loaned to you only for use in the operation of your Licensed Store. The Franchise Agreement grants you the right to use the material for the term of the franchise and obligates you to operate the store in accordance with the format and operating system set forth in the manuals. You may not divulge any trade secrets or reproduce or exhibit any portion of the manuals or other materials to any person other than to your employees and then only as necessary to operate your store in accordance with the Franchise Agreement.

Upon termination or expiration of your Franchise Agreement, you must immediately return to us your manuals and all other materials containing our trade secrets and Confidential Information.

By providing or disclosing a recipe to us, you assign and transfer to us all rights, title, and interest you have in the disclosed recipe. The disclosed recipe shall become our sole property, subject to the non-disclosure and confidentiality provisions of the Franchise Agreement. In providing or disclosing a recipe to us, you represent and warrant that you are not revealing or using any protected trade secrets belonging to a third party.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Although not specifically obligated to do so by the Franchise Agreement, we recommend that you participate personally in the direct operation of the Licensed Store. Your Licensed Store must at all times be under the supervision of a full time "on premises" manager. The manager need not have an ownership interest in you or the franchise. The manager of your Licensed Store must complete all phases of our training program to our satisfaction and must participate in all other activities required to open your Licensed Store. All replacement managers must satisfactorily complete all phases of our training program. You must replace any manager who we determine, in our sole discretion, is not qualified to manage a Tapioca Express store.

If you are an entity, each individual or person owning 10% or more interest in the entity must sign a guaranty agreement (see Exhibit C to this Disclosure Document) personally assuming, agreeing, and guaranteeing your obligations under the Franchise Agreement.

You and each manager of the Licensed Store must sign a confidentiality agreement in our favor as a condition of employment as store manager. In addition, we may require each manager of a Tapioca Store to agree to the non-competition covenants described in item 17q & r of this Disclosure Document.

You and each other Restricted Person will be bound by the non-competition covenants described in item 17q. and item 17r. of this Disclosure Document. A Restricted Person includes you, your owners parents, spouses, natural and adopted children, and siblings of any of you and your owners.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must comply with high standards of services and products and agree to serve only menu items we have approved. We reserve the right, at any time, to change the items you are permitted to sell from your Licensed Store, and you must comply with these changes upon our reasonable notices to you. You must offer all products we authorize you to sell, but we are not obligated to authorize you to sell all available Tapioca Express Products that we may have.

Without our prior written consent, you may not offer or sell any Tapioca Express products or services at any site other than your Licensed Store. You may only sell finished Tapioca Express products that have been approved for sale at your Licensed Store and only to retail customers. You may not sell any Tapioca Express products, whether finished or unfinished, to any person or entity purchasing the products for resale. In addition, you may not use your Licensed Store for any purpose other than the operation of a Tapioca Express store. As such, you may not install any public telephones, juke boxes, vending machines, lottery ticket terminals, video games or any other games or machines without our written approval. You cannot sell products, services, or items that we have not approved. We may require you to remove the unapproved products, services, or items. If you fail to do so, we may declare you to be in default under the Franchise Agreement.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	§ 2.3	Three years
b. Renewal or extension of the term	§ 2.3	You may renew as follows: First renewal is for two years, any additional renewal is for either two or five years, as we may agree.
c. Requirements for franchisee to renew or extend	§ 2.4	You must give written notice, not in default during the previous term, sign then-current franchise agreement and general release, and pay a fee You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees
d. Termination by franchisee	Not applicable	The franchisee may terminate the agreement on any grounds available by law.
e. Termination by franchisor without cause	Not applicable	
f. Termination by franchisor with cause	§10	We can terminate only if you default.
g. "Cause" defined - curable defaults	§§10.1 ~ 10. 3	Depending on the seriousness of violation, we may give you up to 30 days to cure or terminate without the chance to cure.
h. "Cause" defined – non-curable defaults	§§10.1 ~ 10. 3	Defaults that cannot be cured include failure to satisfactorily complete initial training, abandonment, unauthorized transfer, competition with any Tapioca stores, and insolvency.
i. Franchisee's obligations on termination/non-renewal	§§ 5.5, 5.7, 8.1, 8.2, 9.3(l), 11, 12, and 13.4.	Pay amount due, cease operations or operating a similar business, stop using trademarks, Systems, confidential information, at our request_deliver/sell your equipment, inventory, and fixture to us at fair market value, assign telephone and assign lease to us. (see also "r" below)

Provision	Section in Franchise Agreement	Summary
j. Assignment of contract by Franchisor	§ 9.1	We may assign Franchise Agreement without restrictions. However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.
k. "Transfer" by franchisee - defined	§ 1.1(m)	Transfer of Franchise Agreement or ownership
l. Franchisor approval of transfer by franchisee	§§ 9.2, 9.3, and 9.4	We must approve all transfers. Our consent will not be unreasonably withheld.
m. Conditions for franchisor approval of transfer	§ 9.3	You are not in default and all payments are made. Transferee qualifies and signs the franchise agreement. You sign release and other agreement. Payment of transfer fee
n. Franchisor's right of first refusal to acquire franchisee's business	§ 9.5	We can match any offer and purchase your business.
o. Franchisor's option to purchase franchisee's business	§ 12	We may purchase all or a portion of the assets of your Licensed Store upon termination or expiration of the Franchise Agreement.
p. Death or disability of franchisee	§§ 9.6	Your representative must transfer the interest in Franchise Agreement in six months and subject to the same condition as in "m" above.
q. Non-competition covenants during the term of the franchise	§§ 8, and 14.2	You and related persons cannot be involved in a competing business.
r. Non-competition covenants after the franchise is terminated or expires	§§ 8, 9.3, 9.5, 11.4, and 14.2	You and related person may not be involved in a competing business within 10 miles of any Tapioca Express store for two years.
s. Modification of the agreement	§§ 14.1, 14.2, 14.3, and 14.12	Modifications require mutual consent, subject to mandatory provision of law and changes in the Confidential Operations Manual.
t. Integration/merger clause	§ 14.20	Only the terms of the Franchise Agreement are binding. We have made no other promises. This provision is subject to state law.

Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	§ 14.10	Except for certain claims, all disputes must be mediated and/or arbitrated.
v. Choice of forum	§ 14.10	Legal proceedings in California
w. Choice of law	§ 14.11	California law applies. The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York.

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote the franchise. We, however, reserve the option to do so in the future.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Stephanie Hsueh, 1908 Central Avenue, South El Monte, California, 91733; telephone (626) 453-0777, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISE INFORMATION

Table 1
Systemwide Outlet Summary
For Fiscal Years Ended May 31, 2014, 2015, 2016

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2014	44	44	0
	2015	44	45	+1
	2016	45	43	-2
Company Owned	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Total Outlets	2014	44	44	0
	2015	44	45	+1
	2016	45	43	-2

Table 2
Transfer of Outlets from Franchisee to New Owners
(Other than the Franchisor)
For Fiscal Years Ended May 31, 2014, 2015, 2016

Column 1 State	Column 2 Year	Column 3 Number of Transfer
CA	2014	1
	2015	0
	2016	5
Total	2014	1
	2015	0
	2016	5

Table 3
Status of Franchised Outlets
For Years May 31, 2014, 2015, 2016

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start Of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non-renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations-Other Reasons	Col. 9 Outlets at End of the Year
CA	2014	42	0	1	0	0	0	41
	2015	41	0	0	0	0	0	41
	2016	41	2	0	3	0	1	39
NV	2014	0	1	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
TX	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
WA	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Canada	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Total	2014	44	1	1	0	0	0	44
	2015	44	0	0	0	0	0	44
	2016	44	2	0	3	0	1	42

Table 4
Status of Company-Owned Outlets
For Years May 31, 2014, 2015, 2016

Col. 1 State	Col. 2 Year	Col. 3 Outlet at Start of the Year	Col. 4 Outlet Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlet Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
None	2014	0	0	0	0	0	0

Col. 1 State	Col. 2 Year	Col. 3 Outlet at Start of the Year	Col. 4 Outlet Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlet Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Total	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0

Table 5

Projected Openings as of May 31, 2016

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Current Fiscal Year
CA	0	4	0
NV	0	0	0
TX	0	1	0
Total	0	5	0

A list of the names of all franchisees and the addresses and telephone numbers of their businesses are provided in Exhibit J to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document are listed on Exhibit K to this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Tapioca Express System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Tapioca Express System.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit G are our audited financial statements for the fiscal years ending May 31, 2014, May 31, 2015, May 31, 2016.

Our fiscal year end is May 31st.

ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following agreements proposed for use regarding the offering of a franchise:

Exhibit B	Franchise Agreement
Exhibit C	Guaranty
Exhibit D	Non-competition and Non-disclosure Agreement
Exhibit F	Franchisee Disclosure Acknowledgment Statement
Exhibit I	Form of General Release

ITEM 23

RECEIPTS

Attached as the last two pages of this disclosure document is a receipt. Please detach (or print) the final page of this Disclosure Document, sign it, date it as of the date you receive the Disclosure Document, and return it to us.

Exhibit A to the Disclosure Document

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, Tapioca Express, Inc. has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed below in which Tapioca Express, Inc. has appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.

CALIFORNIA California Business Oversight Commissioner Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677 1515 K Street, Suite 200 Sacramento, CA 95814 (916) 445-7205 1350 Front Street San Diego, CA 92101 (619) 525-4233 One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559	**CONNECTICUT** State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent: Banking Commissioner
HAWAII (state administrator) Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 (agent for service of process) Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	**ILLINOIS** Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465

INDIANA (state administrator) Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681 (agent for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531	**MARYLAND** (state administrator) Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360 (for service of process) Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN (state administrator) Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa Street, 6th Floor Lansing, Michigan 48933 (517) 373-7117 (for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909	**MINNESOTA** (state administrator) Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328 (for service of process) Minnesota Commissioner of Commerce

NEW YORK	NORTH DAKOTA
(state administrator) Office of the New York State Attorney General Investor Protection Bureau Franchise Section 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8236 (212) 416-6042 Attention: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492	North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712 (for service of process) North Dakota Securities Commissioner
OREGON Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	**RHODE ISLAND** Securities Division Department of Business Regulation, Bldg 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9582
SOUTH DAKOTA Department of Labor & Regulation Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 (for service of process) Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733

WASHINGTON (state administrator) Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760 (for service of process) Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501	**WISCONSIN** (state administrator) Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703 (608) 266-1064 (for service of process) Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703

Exhibit B to the Disclosure Document

FRANCHISE AGREEMENT

TAPIOCA EXPRESS, INC.

FRANCHISE AGREEMENT

____
Name of Franchisee

____
Date of Franchise Agreement

TABLE OF CONTENTS

EXHIBITS

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") dated ____________, 20__, is between TAPIOCA EXPRESS, INC., a California corporation with its principal business address at 1908 Central Avenue, South El Monte, California 91733 (referred to in this Agreement as "Franchisor" and "we" and like terms), and ________________________________, a __________________, whose principal address is ____ (referred to in this Agreement as "Franchisee" and "you" and like terms).

PREAMBLES

Whereas, Franchisor, through considerable amount of time and effort, has developed certain distinctive business formats, systems, methods, procedures, designs, layouts and specifications for the operation of quick-service cafes specializing in certain drinks and fast food;

Whereas, Franchisor is engaged in the business of operating and licensing others to operate quick-service cafes under the name "Tapioca Express" using valuable trade names, trademarks, and service marks belonging to Franchisor and the above distinctive business formats, systems, methods, procedures, designs, layouts and specifications developed by Franchisor;

Whereas, Franchisee is desirous of operating a cafe using the name "Tapioca Express" at a location specified herein, employing Franchisor's trade names, trademarks, and service marks and the unique set of systems and manners of operation, upon the terms and conditions stated herein; and

WHEREFORE, Franchisor and Franchisee in consideration of the mutual agreements herein stated and other good and valuable consideration, do hereby agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Certain Definitions.

(a) "Affiliate," as used in relation to us, means any person or entity that directly or indirectly owns or controls us, is directly or indirectly owned or controlled by us or is under common control with us.

(b) "Confidential Information" means any information relating to the Tapioca Express products or the development or operation of Tapioca Express stores, including site selection criteria; recipes and methods for the preparation of Tapioca Express products; methods, techniques, formats, specifications, systems, procedures, sales and marketing techniques and knowledge of and experience in the development and operation of Tapioca Express stores; marketing programs for Tapioca Express stores; knowledge of specifications for and suppliers of certain Tapioca Express products, materials, supplies, equipment, furnishings and fixtures; knowledge of operating results and financial performance of Tapioca Express stores; and all portions of our Confidential Operations Manual.

(c) "Controlling Interest" means an interest, the ownership of which empowers the holder to exercise a controlling influence over the management, policies or personnel of an Entity. Ownership of ten percent (10%) or more of the equity or voting securities of a corporation, limited liability company or limited liability partnership or ownership of any general partnership interest in a general or limited partnership will be deemed conclusively to constitute a

Controlling Interest in the corporation, limited liability company, or partnership, as the case may be.

(d) "Entity" means a corporation, general partnership, joint venture, limited partnership, limited liability partnership, limited liability company, trust, estate or other business entity.

(e) "Entity Owner" means, with respect to an Entity, any shareholder owning directly or beneficially ten percent (10%) or more of any class of securities of the Entity; any general partner or co-venturer in the Entity; any partner in a limited liability partnership or member in a limited liability company owning directly or beneficially ten percent (10%) or more of the ownership interests in the limited liability partnership or limited liability company; the trustees or administrators of any trust or estate; and any beneficiary of a trust or estate owning, directly or beneficially, ten percent (10%) or more of the interests in the trust or estate. If any Entity Owner within the scope of this definition is itself an Entity (including an Entity Owner that is an Entity Owner because of this sentence), the term "Entity Owner" also includes Entity Owners (as defined in the preceding sentence) in the Entity. It is the intent of this definition to "trace back" and include within the definition of Entity Owner all natural persons owning the requisite interests to qualify as Entity Owners.

(f) "Good Standing" means your timely compliance and that of your Restricted Persons with all provisions of this Agreement and the Confidential Operations Manual, including provisions for timely payment of money you owe to us or our Affiliates.

(g) "Gross Sales" means the aggregate amount of all sales of Tapioca Express Products, other items, and services made and rendered in connection with the operation of each Licensed Store, including sales made at or away from the premises of the Licensed Store, and all other things of value received by Franchisee in connection with the Licensed Store, whether for cash, check, credit, barter or otherwise, but excluding all federal, state or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority.

(h) "Licensed Store" means the store that is permitted to be opened and operated by you pursuant to this Franchise Agreement.

(i) "Marks" means any trade names, trademarks, service marks, commercial symbols, and other names that you are authorized or directed by TEI to use, including the trade and service marks "TAPIOCA EXPRESS" and associated logos, used from time to time in the operation of Tapioca Express Stores and sale of Tapioca Express Products.

(j) "Restricted Person" means you, each of your Entity Owners, if you are an Entity, and the parents, spouses, natural and adopted children, and siblings of any of you and your Entity Owners.

(k) "Tapioca Express Store" means any retail beverage and food store outlet selling any Tapioca Express Products and other items and services specified by us. The term "Tapioca Express Store" includes drinks carts and kiosks selling the Products. Tapioca Express Store(s) include stores or outlets owned or operated by us, our affiliates, or franchisees or licensee of us or our affiliates.

(l) "Tapioca Express Products" means specialty drinks and beverages (such as specially prepared tea, coffee, and refreshing drinks), desserts, meals, developed by us or our Affiliates.

(m) "Tapioca Express Systems" means our specifications, standards, operating procedures including the use of the Marks, business formats, signs, equipment, furniture, fixture, methods, designs, layouts, color schemes, décor, logos, as we may modify them in the future from time to time, for the operation of Tapioca Express Stores.

(n) "Transfer" means the voluntary or involuntary, direct or indirect transfer, assignment, sale, gift, pledge, mortgage, hypothecation or other disposition (including those occurring by operation of law and a series of transfers that in the aggregate constitute a Transfer) of any of your interest in this Agreement or of a Controlling Interest in you.

ARTICLE 2

GRANT OF FRANCHISE

2.1. Franchise.

(a) Grant of Franchise. We grant you the right, and you accept the obligation, subject to the terms and conditions in this Agreement, to operate one (1) Tapioca Express Store ("Licensed Store") located at and only at ______________________________ ("Premises"), including the right to use our Marks and Tapioca Express Systems as they may be changed, improved, and further developed from time to time in the operation of the Licensed Store.

(b) Tapioca Express Products. In operating your Licensed Store, you may offer for sale only those Tapioca Express Products that we approve from time to time for you to sell at the Premises. Tapioca Express Products that you initially are authorized to offer at your Licensed Store are explained in the Confidential Operations Manual referred to in Section 3.4 of this Agreement. In the future, we may change or add to the Tapioca Express Products that you are authorized to offer at the Premises. If we discontinue any previously-authorized products, you are required to cease serving or selling these products within forty-eight (48) hours of notice, and to discontinue use of all materials related to these products, including but not limited to marketing materials, promotional items, food ingredients, and other related items. You must offer all Tapioca Express Products that we authorize you to sell; however, we are not required to authorize you to sell all available Tapioca Express Products.

(c) Designated Territory. We will not operate or authorize any other person to operate a Tapioca Express Store in your Designated Territory, which is defined in Exhibit 1, attached hereto. Subject to our rights under Section 5.3, we expressly reserve the right, in our sole judgment, to authorize another franchisee to sell Tapioca Express Products within your Designated Territory for special or occasional festivals, cultural or trade exhibitions, or other public events, so long as the event is also held within the other franchisee's Designated Territory. If any non-traditional site (such as mall food courts, airports, hospitals, cafeterias, commissaries, schools, hotels, office buildings and stadiums, arenas, ballparks, festivals, fairs, military bases and other mass gathering locations or events) is located within the physical boundaries of your Designated Territory, then the premises of this non-traditional site will not be included in your

Designated Territory and you will have no rights to this non-traditional site. If your Licensed Store is located at a non-traditional site, you will not receive an exclusive territory.

2.2 Initial Term of the Franchise Agreement.

The initial term of this Agreement will be three (3) years, commencing on the date of this Agreement. This Agreement may be renewed as provided in Section 2.3 of this Agreement and may be terminated prior to expiration of its term in accordance with Article 10 of this Agreement. References in this Agreement to the term of this Agreement mean the initial term and any renewal term.

2.3 Renewals.

You have the right to renew the franchise for one (1) additional term of two (2) years and thereafter for a five (5)-year term or a two (2)-year term, if at the time of renewal the following conditions have been met:

(a) You and Entity Owner must not be in default of any provision of this Agreement, any other agreement between Franchisor (or its affiliates) and Franchisee, including the Confidential Operations Manual. Franchisee also must have substantially complied with the terms and conditions of such agreements during the terms of those agreements.

(b) You have notified us in writing at least one hundred eighty (180) days before the expiration date of this Agreement of your wish to renew;

(c) You and any Entity Owner have signed our then-current franchise agreement not less than thirty (30) days before the expiration of this Agreement or thirty (30) days after you receive the new Franchise Agreement from us, whichever is later. You expressly acknowledge that the new, then-current franchise agreement may change your obligations, including without limitation, increased royalty, its advertising and marketing fee, and modified Designated Territory;

(d) You have agreed that, if we request, you will, before the renewal term begins, at your own expense, remodel, modernize and redecorate the Store, the fixtures, equipment, and signs used in the Store so that the premises of the Store meet the standards of appearance and function applicable to a new Tapioca Express Store at the time of renewal;

(e) You have presented evidence satisfactory to us that you have the right to remain in possession of your Store premises for the renewal term;

(f) You have satisfied all monetary obligations owed to us and must have timely met those obligations throughout the term of this Agreement.

(g) You and Entity Owner have signed a general release of claims in a form satisfactory to us with respect to past dealings with us and our related parties; and

(h) You must comply with our then-current qualifications and training requirements for Franchisee and its employees.

(i) You have paid the renewal fee. The renewal fee for a two (2)-year term shall be Three Thousand Dollars ($3,000), and the renewal fee for a five (5)-year term shall be Five Thousand Dollars ($5,000).

2.4 Reservation of Certain Rights.

We and our authorized Affiliates retain the right to: (1) sell and franchise and license others to sell Tapioca Express Products and other items and services offered by Tapioca Express Stores under the Marks and other trademarks and service marks on any terms and conditions and at any location, other than within your Designated Territory, that we deem appropriate; (2) sell and license and franchise others to sell Tapioca Express Products and/or any other products or services under the Marks and other trademarks and service marks through different distribution channels, such as super markets, convenience stores; (3) own, operate and grant others the right to own or operate Tapioca Express Stores, or other drink, food, and snack businesses at any locations (other than within your Designated Territory) and on the terms and conditions as we, in our sole discretion, deem appropriate; and (4) control exclusively internet promotion and marketing.

2.5 Termination Before Commence Operations.

(a) Failure to Complete Training. If you or your initial store manager fails to complete all phases of the initial training program to our satisfaction, we will have the right to terminate this Agreement effective upon delivery of notice of termination to you. We may at our discretion to allow you or your initial store manager to repeat the initial training program, in that event you are obligated to pay the training fee again. If you or your initial store manager again fails to successfully complete the repeated training program to out satisfaction, we will have the right to terminate this Agreement effective upon delivery of notice of termination to you. If we terminate the Agreement as permitted by this provision, we will refund the initial franchise fee less all reasonable expenses incurred by us in connection with (1) the preparation of this Agreement and all related agreements, (2) the grant of the Franchise, (3) acceptance of the Premises, (4) selection of the Premises, and (5) any other services performed by us in connection with the establishment and development of the Licensed Store. However, in no event will the refund exceed thirty percent (30%) of the initial franchise fee. The refund will be delivered to you upon your execution of documents in a form acceptable to us, providing for indemnification, confidentiality, non-competition, and general releases, waivers and other agreements necessary to terminate the relationship between you and us. You must also return all manuals and other materials you have received from us.

(b) Failure to Commence Operations. If you fail to commence operation of the Licensed Store within one hundred and twenty (120) days after the execution of this Agreement, or such time period as we reasonably agree to extend in writing, we will also have the right to terminate this Agreement effective upon delivery of notice of termination to you. No refund of the initial franchise fee will be made in these circumstances.

(c) Effect of Early Termination. All provisions of Article 11 regarding the effect upon termination, as long as applicable, shall equally apply to termination before commencing operations.

ARTICLE 3

PRE-OPENING REQUIREMENTS, TRAINING, AND GUIDANCE

3.1 Licensed Store Opening.

You will not open the Licensed Store for business until:

(a) We approve the Licensed Store, including but not limited to its location and development;

(b) Pre-opening training of you and Licensed Store personnel has been completed to our satisfaction;

(c) The initial franchise fee and all other monies then due to us have been paid in full (The initial franchise fee is due and payable at the signing of the Franchise Agreement);

(d) Lease documentation has been signed and all other documentation has been completed in connection with the development of the Licensed Store;

(e) We have been furnished with copies of all insurance policies required by this Agreement and evidence of payment of premiums; and

(f) You have obtained, and furnished us copies of, certificate of occupancy, permission for operation from local health regulatory agency, and any other necessary governmental approvals for the use and operation of the Licensed Store.

3.2 Site Selection and Development.

(a) Selection and Acquisition of the Premises. You acknowledge and agree that you are responsible for the selection, acquisition, and development of the Premises and the Licensed Store. Your must either own or lease the Premises. We will take into consideration factors such as the size, appearance and other physical characteristics of the Premises, and demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics. You must provide us with the information we require to evaluate your proposed site not later than thirty (30) days after you execute this Agreement. We will notify you within twenty (20) days after we have received all of the information we require whether the site you propose is approved or not. You agree to reimburse the expenses we incur related to our evaluation of your proposed site, including, but not limited to, travel, lodging and meals expenses. We expressly do not guaranty or warrant the success of any particular site that we may approve, including but not limited to warranties of the site's suitability or potential for success. You acknowledge that our approval of a particular site does not constitute a recommendation or guarantee as to the suitability of the proposed site for the proposed franchise. You agree to obtain the right to occupy the Premises during the entire term of this Agreement, either by ownership, lease, or other lawful manner. You agree to provide a copy of your ownership record, lease agreement, or such documents entitling you to occupy the Premises for our approval at least thirty (30) days before the commencement of business. Our approval of the occupancy documents for the Premises does not constitute an express or implied warranty by us of the successful operation or profitability of a Tapioca Express Store operated at the Premises. You may not move the site for the Licensed Store without our prior written approval.

(b) Development. We will provide you with standardized recommended floor plans and equipment layout plans. You are solely responsible for constructing and developing the Licensed Store. You agree to secure necessary financing to develop and operate the Licensed Store; to retain only licensed contractors, if applicable; to obtain all required permits and licenses required for construction, occupancy, and operation of the Licensed Store; to construct all required improvement and decorate the Licensed Store in compliance with plans and specifications furnished to you by us; to purchase and install all fixture, furnishing, equipment and signs required for the Licensed Store in accordance with our confidential Operations Manual (including mandatory purchase of certain equipment and inventory from us or third parties); and to purchase an opening inventory of Tapioca Express Products, inventory, and supplies in accordance with our Confidential Operations Manual. You are not permitted to open the Store unless you have obtained our written approval of your development drawings, plans and specifications which must comply with our specifications and requirements in all material terms and manners and have developed the store in accordance with the drawings, plans and specifications. Any construction plans created for you to build-out the Licensed Store must be approved by us before you begin construction. You understand and acknowledge that our review is only intended to assess compliance with our requirements and presentation of the Marks. You alone are responsible for making sure that the construction plans, and subsequent build-out of the Licensed Store, are in compliance with all applicable laws, ordinances and building codes.

(c) Fixtures, Furnishings, Equipment And Signs. We will supply to you information about the sources of signs, equipment, fixtures, furnishings, improvement, and other products and services available in connection with the development of a typical franchise store. In developing and operating the Licensed Store, you agree to use only the fixtures, furnishings, equipment (including cash registers and/or computer hardware and software) and signs that meet our specifications and standards for quality, design, appearance, function and performance. You agree to place or display at the Premises, interior and exterior, only the signs, emblems, lettering, logos and display materials that we approve in writing. However, we have the right, in our sole discretion, to install all required signs at the Premises at your sole expense. You agree that all fixtures, furnishings and equipment used in connection with the operation of the Licensed Store will be free and clear of all liens, claims and encumbrances, except for liens, claims or encumbrances asserted by us and except for third party purchase money security interests.

3.3 Training.

(a) Training for You and Licensed Store Manager. Prior to the Licensed Store's opening, we will furnish an initial training program on the operation of Tapioca Express Stores to you and the initial store manager, if the store manager is different from you, for Three Thousand Dollars ($3,000), which you must pay upon signing of this Agreement. The training program will be furnished at our designated training facility or a Tapioca Express Store owned and operated by us or one of our franchisees. You or one of your principal owners, and the manager of the Licensed Store, if different from you, agree to complete all phases of the training program to our satisfaction and to participate in all other activities required to open the Licensed Store. Subsequent managers will also be required to satisfactorily complete all phases of our training program. You will replace any manager who we determine, in our sole discretion, is not qualified to manage a Tapioca Express Store. All new store managers must receive our initial training program at our then-current training fee. We may provide additional training in the greater Los

Angeles area on various subjects related to the business operations and may charge a fee of Two Hundred Dollars ($200) to Five Hundred Dollars ($500) for the training, which you will be required to pay at least ten (10) days prior to beginning of training. You will be responsible for all travel and living expenses which you and your manager incur in connection with the initial and subsequent training programs. After you and your store manager complete the training, you must train your other managers, supervisors and/or employees for a minimum of twenty (20) hours per person before opening your Licensed Store.

(b) Use of the Licensed Store for Training. You agree that we may conduct future training programs at the Licensed Store.

(c) Failure to Complete Training. If you do not satisfactorily complete the initial training program, we have the right to terminate this Agreement pursuant to Section 2.5 above.

3.4 Confidential Operations Manual.

We will make available to you during the term of the Franchise one copy of our operations manual (the "Confidential Operations Manual"), by loaning a copy of the Confidential Operations Manual to you. We reserve the right to make the Confidential Operations Manual available to you electronically, such as by CD-ROM or a password protected website. The Confidential Operations Manual contains mandatory and suggested specifications, standards and operating procedures that we prescribe for Tapioca Express Stores and contains information relating to your other obligations under this Agreement. The Confidential Operations Manual may be modified in the future to reflect changes in the image, specifications, standards, operating procedures, Tapioca Express Products, and Tapioca Express Systems. However, we will not make any addition or modification that will alter your fundamental status and rights under this Agreement. You may not at any time copy any part of the Confidential Operations Manual, either physically or electronically. If your copy of the Confidential Operations Manual is lost, destroyed or significantly damaged, you will be obligated to obtain from us, and pay a fee for, a replacement copy of the Confidential Operations Manual.

3.5 Store Opening Assistance.

Upon your meeting all pre-opening requirements, including those listed in Section 3.1 above, and your scheduling a grand opening date with us, we will send one (1) representative to your Licensed Store to assist you in the grand opening of your Store for three (3) days, up to six (6) hours per day. You agree that either you or your store manager who have completed the training to our satisfaction and adequate staff must be on site at all times during the three (3)-day Store Opening Assistance. We may allocate the three (3)-day Store Opening Assistance before and/or after the grand opening in our discretion and judgment.

3.6 Guidance and Operating Assistance.

Although we do not have an obligation to do so, we may, at our discretion, advise you from time to time of operating problems of the Licensed Store which come to our attention. At your request and provided that you are in Good Standing, we may furnish to you guidance and operating assistance in connection with:

(a) Methods, standards, specifications, and operating procedures utilized by Tapioca Express Stores;

(b) Purchasing required fixtures, furnishings, equipment, signs, Tapioca Express Products, materials, and supplies;

(c) Advertising and promotional programs;

(d) Employee training; and

(e) Administrative, bookkeeping, accounting, general operating, and management procedures;

The guidance and assistance may, in our discretion, be furnished in the form of references to the Confidential Operations Manual, bulletins, and other written materials (including e-mail), telephonic conversations, consultations at our offices or at the Licensed Store, and/or via Internet or intranet methods. You agree that we will not be liable to you or any other person, and you waive all claims for liability or damages of any type, whether direct, indirect, incidental, consequential, or exemplary, on account of any guidance or operating assistance offered by us in connection herewith, except to the extent caused by our gross negligence or intentional misconduct. We will make no separate charge to you for such operating assistance and guidance as we customarily provide to our franchisees generally. Occasionally, we may make special assistance programs available to you; however, you will be required to pay the daily fees and charges that we establish for these special assistance programs.

3.7 Grand Opening Promotion.

You agree to conduct a grand opening advertising and promotion program for a newly developed Licensed Store for a period of at least seven (7) days, commencing within thirty (30) days after opening of the Licensed Store. You agree to spend no less than One Thousand Dollars ($1,000) for the grand opening. The advertising and promotion may utilize the standard marketing and public relations programs and media and advertising materials that we have developed for grand opening programs. We will make them available for your purchase, in advance of the opening of your Licensed Store. Payments for these materials are non-refundable. You may also incur expenses from other vendors and suppliers in connection with your grand opening promotion.

ARTICLE 4

FEES

4.1 The Initial Franchise Fee.

You agree to pay us a nonrecurring initial franchise fee of Fifteen Dollars ($15,000) upon the signing of this Franchise Agreement. This franchise fee will be fully earned by us when paid and is not refundable, except otherwise provided in Sections 2.5(a). The franchise fee represents payment to us for your right to use the Marks and the Tapioca Express Systems in the development and operation of your Licensed Store.

4.2 Continuing Royalty

(a) You agree to pay us a monthly Continuing Royalty equal to two and a half percent (2.5%) of your Gross Sales each month or Five Hundred Dollars ($500), whichever amount is greater. We have the right to modify or raise the Royalty to up to six percent (6%) of your Gross Sales each month or One Thousand Two Hundred Dollars ($1,200), whichever is greater, upon a written notice to you of not less than sixty (60) days.

(b) Continuing Royalty payments are due on the fifth (5^{th}) of every month for the preceding month. In the event that any payments are due on a national holiday, payment will be due on the first business day following such holiday. You will provide us with a monthly Gross Sales statement in a format set by us, also due with your monthly Continuing Royalty payment. You will also send us a copy of your monthly or quarterly sales tax returns, if required in your jurisdiction. In California, it is a copy of your quarterly returns sent to California Franchise Tax Board.

(c) To compensate us for the damages caused by the increased administrative expenses, a late fee of One Hundred Dollars ($100) will be assessed each time if the payment is received by us after the tenth (10^{th}) of the month. Such late fee shall be in addition to any interest assessed on the overdue amount, as described in Section 4.3. A separate fee of Twenty Dollars ($20) per day (up to a maximum of One Hundred Dollars ($100) total) will be assessed if we do not receive a copy of your monthly Gross Sales statement or sales tax returns by the tenth (10^{th}) of the following month. The above damage and fee assessment date is not extended by any holiday.

4.3 Late Charge And Interest on Late Payments.

All royalty fees, amounts due for purchases by you from us or our Affiliates and other sums which you owed to us or our Affiliates will bear interest from their due date until paid at a rate equal to the lesser of the highest applicable legal rate for open account business credit, or one and a half percent (1.5%) per month, payable when the corresponding delinquent payment is made. A process fee of Thirty-Five Dollars ($35) will be assessed for any payment rejected as a result of insufficient funds or rejection by the bank. You agree that this Section does not constitute our or our Affiliates' agreement to accept payments after they are due or a commitment by us or our Affiliates to extend credit to you or otherwise to finance the operation of the Licensed Store. Your failure to pay all amounts when due will constitute grounds for termination of this Agreement by us, as provided in Section 10.1.

4.4 Product Deposits.

Upon signing the Agreement, you will pay us a deposit of Ten Thousand Dollars ($10,000) to secure the payment for Mandatory Purchases of on-going inventory, products or equipment from us ("Product Deposit"). We may also deduct damages for Deviation from Standard (Sec. 10.3) fee charges for late payments or late reporting provided in this Agreement, or other breach of this Agreement from the Product Deposit. Upon the termination of this Agreement, we will refund the Product Deposit, or the remainder thereof, to you without interest. If you fail to timely pay us for the inventory, products, equipment, or other damages, we will deduct the Product Deposit and you are required to pay such sum as necessary to restore the Product Deposit in full within ten (10) days upon written notice by us.

4.5 Application of Payments.

Regardless of any designation by you, we have sole discretion to apply any payments by you to any of your past due indebtedness for royalty fees, purchases from us or our Affiliates, interest or any other indebtedness or monies owed to us or our Affiliates.

4.6 Electronic Fund Transfer.

We shall have the right to require you, upon written notice, to make payment under this Agreement by electronic fund transfer ("EFT") or to a lock-box at an independent bank. Acceptance of payment by EFT or to a lock-box shall not be deemed a waiver of any rights by us. If we establish a direct debit program with your bank for the electronic payment of Continuing Royalty, Marketing Fees, or other fees, you agree to provide us with all consents, authorizations and bank account data necessary to effect such electronic payment. You must complete and deliver to us such forms as may from time to tome be required to effectuate any changes to maintain the EFT capacity. You agree (a) to give us at least fourteen (14) days written notice (except in the case of emergency) before making any changes to your EFT bank account, providing all information and specimens required to change EFT to the new account; (b) to pay us applicable late fees, insufficient funds fees and interest on overdue amounts plus collection costs and reasonable attorneys' fees, if your bank rejects our EFT request because of insufficient funds; and (c) upon demand, to replace the EFT rejected by your bank with a bank certified or cashier's check in the aggregate amount owed, plus interest, late fees, collection costs and attorneys' fees.

ARTICLE 5

ADDITIONAL OBLIGATIONS

5.1 Tapioca Express Systems.

You acknowledge and agree that the operation of the Licensed Store in accordance with the Tapioca Express Systems is the essence of this Agreement and is essential to preserve the goodwill of the Marks and all Tapioca Express Stores. Therefore, you agree that, at all times during the term of this Agreement, you will maintain and operate the Licensed Store in accordance with each of the Tapioca Express Systems. We may regulate any one or more of the following with respect to the Licensed Store:

(a) Design, layout, decor, menu format, appearance and lighting; periodic and daily maintenance, cleaning and sanitation; replacement of obsolete or worn-out fixtures, furnishings, equipment and signs; use of interior and exterior signs, emblems, lettering and logos and the illumination thereof;

(b) Types, specifications, models, brands, maintenance and replacement of required equipment, fixtures, furnishings, and signs;

(c) Approved, disapproved, and required Tapioca Express Products and other items and services to be offered for sale;

(d) Designated and approved suppliers, including us or our Affiliates of equipment, fixtures, furnishings, signs, Tapioca Express Products, materials and supplies;

(e) Use and operation of an approved point of sale register;

(f) Payment of vendors; terms and conditions of sale and delivery of and payment for Tapioca Express Products, materials, supplies and services sold to you by us, our Affiliates or unaffiliated suppliers;

(g) Marketing, advertising and promotional activities and materials required or authorized for use;

(h) Use of the Marks;

(i) Qualifications, training, dress, appearance, and staffing of employees and employee's wearing uniforms designed and designated by us;

(j) Minimum hours of operation, subject to the terms of your lease or applicable law;

(k) Methods, standards, specifications, and operating procedures for Tapioca Express Stores, including quality and customer service requirements, terms under which you are required to guarantee customer satisfaction with Tapioca Express Products, accept returns, and provide replacement products;

(l) Restrictions on the storage, use, or sale of "out-of-code" (old) materials, supplies, or products, and requirements relating to the disposition of old or unsalable Tapioca Express Products;

(m) Participation in market research and testing and product and service development programs designated by us;

(n) Management by full-time managers who have successfully completed our training program; communication to us of the identities of the managers; replacement of managers whom we determine to be unqualified to manage the Licensed Store; and other matters relating to the management of the Licensed Store and its management personnel;

(o) Use of a designated computer hardware, software system, counter sale registers, and equipment with telecommunications capability, including the procedures for providing daily sales information of the Licensed Store to us;

(p) Bookkeeping, accounting, data processing and record keeping systems and forms; methods, formats, content and frequency of reports to us of sales, revenues, financial performance and condition; tax returns and other operating and financial information;

(q) Types, amounts, terms and conditions and approved underwriters and brokers of public liability, product, business interruption, crime loss, fire and other required insurance coverage; our rights under the policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of the coverage that must be furnished to us; our right to obtain insurance coverage for the Licensed Store at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insurance and insured and uninsured claims;

(r) Compliance with applicable laws, rules, and regulations, including those relating to health, safety, and sanitation; obtaining required licenses and permits; adherence to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and with us and our Affiliates; and notification to us if any action, suit or proceeding is commenced against you or the Licensed Store; and

(s) Regulation of the other elements and aspects of the appearance, operation of and conduct of business as we determine from time to time, in our sole discretion, to be required to preserve or enhance the efficient operation, image or goodwill of Tapioca Express Stores and the Marks.

You agree that the Tapioca Express Systems may be periodically modified by us and acknowledge that the modifications may obligate you to invest additional capital in the Licensed Store and to incur higher operating costs. You agree that Tapioca Express Systems constitute provisions of this Agreement as if fully set forth in this Agreement. All references to this Agreement include all Tapioca Express Systems as periodically modified by us.

5.2 Mandatory Purchases.

(a) In General. To ensure the consistency and high standards in the Tapioca Express Systems and Products, you are required to purchase certain equipment, products, and food ingredients for the preparation of menu items from us. These equipment, products, and ingredients are specified in our Confidential Operations Manual. The mandatory purchase costs for point of sale cash register system, tea machine, and water purifying systems are payable to us before their installation. We may require you to purchase, install, and upgrade equipment (such as store and/or kitchen equipment, POS electronic cash register, computer, internet connection, and web-based camera monitoring system) in different stages with a minimum of thirty (30) days' written notice to you. You may also be required to purchase from us promotional items for resale in your Licensed Store. We shall have the right to the benefit of all discounts, volume rebates, administration fees, commissions, advertising allowances or other advantages which we may obtain from any person supplying products or services to you and our other franchisees. We will not be responsible to you if we are unable to deliver products to you for reasons beyond our control, by way of illustration, not limitation, such as FDA inspection, delay or loss in transit, seasonal items, or manufacturer changes.

(b) Internet Communication. You agree during the term of this Agreement and at your sole expense, to install and maintain high speed Internet access and to use designated e-mail address and a fax number for purposes of communicating with us and other persons regarding the business operation. You agree to check your e-mail and fax on a daily basis (except for weekends) and respond promptly to all e-mail, fax and other communications. You agree to install and maintain a high speed internet connection with a minimum upload rate of 156K baud, i.e., DSL, cable-modem or comparable connection that allows real time communications between you and us regarding your POS computer system and security camera system, when fully implemented. You grant us full, independent access to all information and data generated by the POS cash register, its associated computer system, and web-based camera monitoring system. You agree that we have the right to retrieve, analyze, download, and use the computer system and all data so retrieved at any time. We may use your information and data for any reasonable business purposes without compensation to you.

(c) Grand Opening Marketing Materials. You agree to purchase from us before your Store opening a package of marketing materials, such as Drink To-Go Menu, business and Loyalty Cards, poster display stand, wall posters, banners, direct mailing packet, and menu boards. We may adjust and revise these items from time to time.

5.3 Restrictions on Customers and Operations.

(a) You may not operate the Licensed Store at any site other than the Premises without our prior written consent. You may not sell Tapioca Express Products approved for sale or any materials, supplies, or inventory bearing the Marks at any site other than the Premises without our prior written consent. However, this restriction will not apply to the offering of samples of Tapioca Express Products approved for sale at or directly in front of the Licensed Store. You may not use or display any other trade name or marks in connection with your Store operation. In addition, you may not sell to anyone any materials, supplies, or inventory used in the preparation of any Tapioca Express Products. You may only sell finished Tapioca Express Products that have been expressly approved by us for sale, and then only to retail customers. You may not sell products that are unauthorized, unapproved, withdrawn, or discontinued by us. You may not sell any Tapioca Express Products to any person or entity purchasing the Tapioca Express Products for resale. We reserve the exclusive right to sell Tapioca Express Products at any where, including within your Designated Territory for festivals, cultural or trade exhibitions, or other public events.

(b) You may not install any public telephones, juke boxes, vending machines, lottery ticket terminals, video games or any other games or machines without our prior written approval. If you do sell products, services, or items that we have not approved, all money you receive from their sale will be subject to our charge of a six percent (6%) of the Gross Sales derived from these products, services or items as "Additional Royalty" to us, which you will pay us by the fifth (5^{th}) day of the following month. We may require you to remove the unapproved products, services or items. If you fail to do so, we may declare you to be in default under this Agreement.

5.4 Accounting, Reports and Financial Statements.

You agree to establish and maintain a bookkeeping, accounting, record keeping, and data processing system that accurately reflect the business conditions of the Licensed Store. We may require you to adopt or use certain cash registers and/or computer software programs on which to maintain certain sales data, provided that we give you reasonable notice. While you have no obligation to furnish accounting information to us on a regular basis, other than the monthly Gross Sales statement specified in Section 4.2(b), we reserve the right to review, examine, and copy the following records upon a fifteen (15)-day written notice:

(a) Gross Sales Reports;

(b) Monthly Financial Reports;

(c) Semi-Annual Reports; and

(d) Federal and state income, sales, and other tax returns.

Each report and financial statement will be signed and verified by you in the manner we specify. We may disclose data derived from the sales reports to other franchisees and licensees. We may also require you to have audited or reviewed financial statements prepared on an annual basis. We may, on a daily basis, access the database contained in the computerized records of the Licensed Store and transfer the data from your data base to our data base. We reserve the right to have access to your counter sales registers to extract information therefrom at any time during your business hours.

5.5 Retention of Records.

You agree to keep full, complete and proper books, records and accounts of Gross Sales and of your operations at the Licensed Store. All the books, records and accounts will be retained for a period of at least three (3) years following the end of each fiscal year. The books and records will include daily cash reports; cash receipts journal and general ledger; cash disbursements journal and weekly payroll register; monthly bank statements and daily deposit slips and cancelled checks; tax returns (sales and income); supplier invoices; dated cash register tapes (detail and summary); semiannual balance sheets and monthly profit and loss statements; daily production, leftover and donations records and weekly inventories; records of promotions and coupon redemptions; records of all corporate accounts; and such other records as we may request.

5.6 Our Right to Inspect the Licensed Store.

To determine whether you are complying with this Agreement and with all Tapioca Express Systems and whether the Licensed Store is in compliance with the terms of this Agreement, we and our designated agents may, at any reasonable time and without prior notice to you, on and off the Premises:

(a) Inspect all areas of the Premises, including but not limited to dining area, kitchen, administrative office, restrooms, and storage rooms;

(b) Observe, photograph and video tape the Licensed Store's operations for such consecutive or intermittent periods as we deem necessary;

(c) Remove samples of any Tapioca Express Products, materials or supplies without charge to us for testing and analysis, as well as collect evidence of using unapproved equipment, product, or food ingredients;

(d) Interview personnel of the Licensed Store;

(e) Interview customers of the Licensed Store;

(f) Inspect and copy any and all books, records and documents ("Books and Records") relating to all aspects of the operation of the Licensed Store, including but not limited to lease agreement, inventory purchase records, insurance policies and any and all items and things supporting the entries in the Books and Records; and

(g) Remove, demand the immediate removal of things or items, or immediate cease of activities that in our sole judgment and discretion offend or do not comport with the desired image, goodwill of Tapioca Express System, or the Confidential Operations Manual.

You agree to cooperate fully with us in connection with any of our inspections, observations, photographing, video taping, product or item removal, interviews, and demand to cease offending activity.

5.7 Our Right to Audit.

At any time during business hours and without prior notice to you, we and our representative may inspect and audit the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of the Licensed Store as well as your books and records. You agree to fully cooperate with representatives and independent accountants hired by us to conduct any inspection or audit. If an inspection or audit discloses an underpayment of the Royalty as required by Section 4.2, you will pay to us, within fifteen (15) days after receipt of the inspection or audit report, the royalty fees due on the amount of the underpayment, plus interest (at the rate and on the terms provided in Section 4.3) from the date originally due until the date of payment and any applicable late fees. Further, if inspection or audit is made necessary by your failure to furnish reports, supporting records or other information as required by this Agreement, or to furnish the reports, records or information on a timely basis, or if an underpayment of Royalty for the period of any audit is determined by the audit or inspection to be greater than two percent (2%), then, in addition to paying the understated amount together with applicable interest and late fees, within fifteen (15) days after receipt of the inspection or audit report, you will reimburse us for the cost of the audit or inspection, including the charges of attorneys and any accountants and the travel expenses, room and board and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement or applicable law, and our right to audit will continue for two years following termination of this Agreement.

5.8 Surveys.

You will present to your customers such evaluation forms as we periodically require and will participate in and request your customers to participate in any surveys performed by or on our behalf, including your providing promotional, reward items, or free tasting samples.

5.9 Guaranties by Entity Owners.

If you are an Entity, you represent and warrant to us that you are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation, are qualified to do business in all states in which you are required to qualify and have the authority to execute, deliver and carry out all of the terms of this Agreement. If you are an Entity, we will require each of your Entity Owners concurrently upon execution of this Agreement, or at any time during the term of this Agreement, to execute a guarantee in our favor in which the Entity Owner guarantees payment of all amounts owed by you under this Agreement and performance by you of the terms and conditions of this Agreement and assumes full and unconditional liability for the payment and performance of all of your obligations, covenants and agreements. You agree to furnish us upon request, in such form as we may require, a list of all of your Entity Owners, now and in the future, reflecting their respective interests in you.

5.10 Obligations with Respect to Restricted Persons.

Upon execution of this Agreement, you agree to furnish us with a list of all Restricted Persons and promptly to update that list as changes in Restricted Persons occur. In addition, at our request at any time during the term of this Agreement, you will obtain and provide to us a written agreement from each Restricted Person designated by us in which the Restricted Person agrees to be bound by all provisions of this Agreement related to non-competition and non-disclosure of confidential information and use of Marks, such as Sections 7, 8, 9.3(j) (l), 9.5(c), and 11 of this Agreement.

5.11 Insurance.

You agree, at all times during the term of this Franchise Agreement and at your sole cost and expense, to maintain the following list insurances. You should include us as additional insured when applicable. You must submit proof of insurance thereof for our approval at least ten (10) days before your commencement of business. Upon request, you will deliver to us complete copies of insurance policies at any time during or after the term of this Agreement.

(a) Casualty Insurance. You agree to keep all of your goods, fixtures, furniture, equipment, and other personal property located on the Licensed Store premises insured to the extent of one hundred percent (100%) of the full replacement cost against loss or damage from fire and other risks normally insured against in extended risk coverage.

(b) Liability Insurance. You will maintain in force an insurance policy or policies which will name us as additional insured as franchisor, insuring against all liability resulting from damage, injury, or death occurring to persons or property in or about the Licensed Store premises (including products liability insurance and employer liability insurance), the liability under such insurance to be not less than Two Million Dollars ($2,000,000) for one person injured, Two Million Dollars ($2,000,000) for any one accident, and Two Million Dollars ($2,000,000) for property damage. The original of such policy or policies shall remain in your possession. However you agree to give us a copy of the policy upon our request.

(c) Workers' Compensation Insurance. You also agree to keep in force all workers' compensation insurance on your employees, if any, required under the applicable workers' compensation laws of the state in which the Licensed Store is located.

(d) Other Insurance Policies. You agree, at all times during the term of this Franchise Agreement, to maintain in force such other and additional insurance policies as a prudent franchisee in your position would maintain or as we may reasonably require, or as may be required by the terms of the lease for the Premises.

(e) Policy Requirements. All insurance policies required under this Section will contain provisions to the effect that the insurance will not be canceled or modified without at least thirty (30) days prior written notice to us and that no modification will be effective unless approved in writing by us. All such policies will be issued by a company or companies, rated "A" or better by Best's Insurance Guide, responsible and authorized to do business in the state in which the Licensed Store is located, as you may determine, and will be approved by us, which approval will not be unreasonably withheld. If you fail to obtain any insurance required hereunder we may, in our discretion, obtain such insurance on your behalf and you agree to take all steps necessary to assist us in doing so. On demand from us, you shall reimburse all expenses we incur in so doing.

(f) Release of Insured Claims. You release and relieve us and our officers, directors, shareholders, employees, agents, successors, assigns, contractors, and invitees and waive your entire right of recovery against us and our officers, directors, shareholders, employees, agents, successors, assigns, contractors, and invitees for loss or damage arising out of or incident to the perils required to be insured against under Section 5.10, which perils occur in, on or about the Licensed Store premises or relate to your business on the premises, whether due to the negligence of us or you or any of our or your related parties.

ARTICLE 6

MARKETING AND PROMOTION

6.1 The Marketing Fund.

Recognizing the value of standardized advertising and marketing for the promotion of public awareness of Tapioca Express, the parties agree as follow:

(a) Marketing Fund Contributions. You agree to contribute one half percent (0.5%) of your monthly Gross Sales or One Hundred Dollars ($100) per month, whichever is higher ("Marketing Fee") into Marketing Fund to be used and administered in the manner described below. We reserve the right to increase or decrease the amount of Marketing Fee with a written notice to you of not less than sixty (60) days. We also reserve the right to suspend or discontinue the collection of Marketing Fee funds as well as the marketing and advertising activities described herein after the then-existing Marketing Fund is exhausted. If we discontinue collecting the Marketing Fee, we may begin collecting it again at any time upon notice to you, and any reinstated Marketing Fund shall be maintained as described herein.

Marketing Fee payments are due at the same time and in the same manner as the monthly Continuing Royalty.

To compensate us for the damages caused by the increased administrative expenses, a late fee of Thirty-Five Dollars ($35) will be assessed each time if the Marketing Fee payment is received by us after the tenth (10^{th}) of the month, in addition to any interest on the overdue Marketing Fee as described in Section 4.3. This date is not extended by any holiday.

(b) Use and Maintenance of the Marketing Fund. The Marketing Fund shall be used to develop, prepare, and conduct national, regional, and local advertising, to undertake market research, to purchase advertising media of all types, to pay commissions, fees and expenses incurred by us or third party marketing agencies related to marketing and advertising. We shall have the sole discretion to direct all marketing and advertising activities, including the target areas, creative concepts, materials, media placement, and all matters related hereto. We may use the Marketing Fund to create, produce and place advertising, in-store signs, in-store promotion, commercial advertising, agency costs and commissions, to create and produce video, audio and written advertisements, to administer multi-regional advertising programs, including direct mail and other media advertising. We, our Affiliate, or our designee shall exclusively maintain and administer the Marketing Fund. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all Tapioca Express Stores to the Marketing Fund in that year. The Marketing Fund may borrow from third-party lenders to cover deficits or cause the Marketing Fund to invest any surplus for future use. Any sums that remain in the Marketing Fund at the end of each year accrue and we will apply them toward the future year's expenses. We have the sole right to enforce the obligations of all franchisees that are obligated to contribute to the Marketing Fund. Neither you nor any other franchisees that are obligated to pay to the Marketing Fund shall be deemed third party beneficiaries with respect to this marketing and advertising program or the Marketing Fund. You acknowledge that the Marketing Fund is intended to maximize the public awareness, and to promote the goodwill, of the Tapioca Express in general. We, our Affiliate, or designee undertake no obligation in administering the Marketing Fund to insure that the Licensed Store or any particular franchisee will benefit directly or indirectly from the Marketing Fund. No part of the Marketing Fund may be used by us to defray any of our general operating expenses other than those reasonably allocable to marketing or advertising activities conducted, administered and maintained by us or our Affiliate. Further, no part of the Marketing Fund may be used by us solely for the promotion of the offer or sale of the franchise. We reserve the right to include a notation in any advertisement indicating franchise availability.

(c) Accounting for the Marketing Fund. We may reimburse ourselves or our affiliates from the Marketing Fund for administrative costs, salaries and overhead expenses related to the administration of the Marketing Fund and its marketing programs, including conducting market research, preparing marketing materials, and collecting and accounting for Marketing Fund contributions. All such payments to the Marketing Fund shall be deposited in a non-interest bearing account separate from our general operating funds. You expressly agree that the Marketing Fund shall not be considered to be held in trust and no fiduciary relationship is created between you and us in any respect. We agree to furnish annual unaudited financial statements of the Marketing Fund. We may in our sole discretion elect to accumulate Marketing Fund for such periods of time we deem appropriate, with no obligation to expend all funds received in that particular fiscal year.

6.2 Advertising and Promotional Activities by You.

In addition to any contributions by you to the Marketing Fund, you agree that you will spend on marketing and related programs an amount that is not less than the Marketing Fee stated above. You agree that all advertising, promotion and marketing by you will be clear, completely truthful and not misleading, comply with all laws and regulations, and will conform to the highest standards of ethical marketing and promotion policies which may be prescribed by us. You agree to submit to us for our prior written approval samples of all advertising and marketing materials not prepared or previously approved by us. Marketing materials also include gift or discount coupon, cash-equivalent certificate, press release, and all promotional literature. Our approval will not be unreasonably withheld. If we do not give you written approval of any advertising or other promotional materials within ten days from the date of receipt by us of the materials, we will be deemed to have disapproved the submission. You agree not to use any advertising, marketing or related materials that we have disapproved. We may withdraw previously approved materials if we reasonably believe it necessary to make the advertising conform to the changing circumstances or to correct unacceptable features of the advertising based on commercially reasonable grounds. We reserve the right to require you to include certain language in your advertising materials, such as "Franchises Available" and our website address and telephone number. You agree to immediately cease using any unauthorized or withdrawn marketing material upon our notice to you. You also agree to list the Licensed Store in the principal telephone directories distributed in your metropolitan area.

6.3 Our Advertising Materials.

Upon request, we will provide you with copies of advertising, marketing and promotional formats and materials that we have prepared and that are suitable for use at local Tapioca Express Stores. We may charge you at our cost of producing them, including any related shipping, handling and storage charges, payable when the materials are ordered. These payments are not refundable.

6.4 Website.

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We may establish one or more websites accessible through one or more uniform resource locators ("URLs") and, if we do, we may design and provide for the benefit of your Licensed Store a "click through" subpage at our website for the promotion of your Licensed Store. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Licensed Store, you must routinely provide us with updated copy, photographs and news stories about your Licensed Store suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage.

Any websites or other modes of electric commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at Tapioca Express Stores – also be devoted in part to offering Tapioca Express franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and system-wide communications (among other activities) can be done. You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Licensed Store; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the "Tapioca Express" name or any name confusingly similar to the Trademarks.

You are not permitted to promote your Licensed Store or use any of the Trademarks in any manner on any social or networking websites, such as Facebook, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Licensed Store's operation, including prohibitions on your and the Licensed Store's employees posting or blogging comments about the Licensed Store or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook and MySpace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your "click through" subpage.

ARTICLE 7

CONFIDENTIAL INFORMATION AND USE OF THE MARKS

7.1 Confidential Information.

We may disclose certain Confidential Information to you in the initial training program and subsequent training, the Confidential Operations Manual and in guidance furnished to you during the term of the Franchise. You are not acquiring any interest in Confidential Information, other than the right to utilize Confidential Information disclosed to you in the operation of the Licensed Store during the term of this Agreement. Your use or duplication of any Confidential Information in any other business will constitute an unfair method of competition and a violation of this Agreement. The Confidential

Information is proprietary, includes our trade secrets and is disclosed to you solely on the condition that you agree:

(a) Not to use Confidential Information in any other business or capacity;

(b) To maintain the absolute confidentiality of Confidential Information during and after the term of this Agreement, and shall not disclose, communicate, publish or make use of Confidential Information without the prior written consent of us;

(c) Not to make unauthorized copies of any portion of Confidential Information disclosed in written or other tangible form or any portion of the Confidential Operations Manual; and

(d) To adopt and implement all reasonable procedures that we prescribe to prevent unauthorized use or disclosure of Confidential Information, including restrictions on disclosure of Confidential Information to your employees and to comply with requirements we may impose that certain key employees of Licensed Store execute Non-Competition and Non-Disclosure (Exhibit D to Disclosure Document) and/or other confidentiality agreements as a condition of employment.

7.2 Concepts Developed by You.

We and our Affiliates will have the perpetual right to own and use and authorize other Tapioca Express Stores to use, and you will fully and promptly disclose to us, all ideas, concepts, formulas, recipes, methods and techniques relating to the development or operation of a dessert or snack food business conceived or developed by you or your employees during the term of this Agreement. You may not test, offer, or sell any new products without our prior written consent.

By providing or disclosing a recipe to us, you assign and transfer to us all rights, title, and interest you have in the disclosed recipe. The disclosed recipe shall become our sole property, subject to the non-disclosure and confidentiality provisions of this Agreement and any Non-competition and Non-disclosure Agreement. In providing or disclosing a recipe to us, you represent and warrant that you are not revealing or using any protected trade secrets belonging to a third party.

7.3 Ownership and Goodwill of Marks.

You acknowledge that we own the Marks and that your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable standards, specifications and operating procedures that we require. Any unauthorized use of the Marks by you will constitute a breach of this Agreement and an infringement of our rights in the Marks. You agree that your usage of the Marks and any goodwill established by that use will be for our exclusive benefit. This Agreement does not confer any goodwill or other interests in the Marks upon you, other than the right to operate a Tapioca Express Store in compliance with this Agreement. All provisions of this Agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols we or our Affiliates may authorize for your use in the future.

7.4 Limitations on Your Use of Marks.

You agree to use the Marks as the sole identification of the Licensed Store. However, you will identify yourself as the independent owner of the Licensed Store in the manner we require. You will not use any Marks as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you under this Agreement), or in any modified form, nor may you use any Marks in connection with the performance or sale of any unauthorized services or products or in any other manner not expressly authorized in writing by us. You agree to display the Marks prominently at the Licensed Store, on supplies or materials designated by us and in connection with packaging materials, forms, labels and advertising and marketing materials. All Marks will be displayed in the manner we require. You agree to use the registration symbol "®" in connection with your use of the Marks that are registered. You agree to refrain from any business or marketing practice which may be injurious to our business and the good will associated with the Marks and other Tapioca Express Stores. You agree to give such notices of trade and service mark registrations as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law. You agree that you will not use the Marks in any of your promotion or marketing material without our express written approval and that any violation will constitute deviation from standard as provided in Section 10.3 herein and/or grounds for termination.

7.5 Discontinuance of Use of Marks.

We do not warrant or guaranty that we have the exclusive right to use the Marks. If it becomes advisable at any time in our sole discretion for us or you to modify or discontinue use of any Marks or use one or more additional or substitute trade or service marks, you agree to comply with our directions to modify or discontinue the use of the Marks or use one or more additional or substitute trade or service marks within a reasonable time after notice from us. We will not reimburse you for the expenses in modifying or discontinuing the use of a Marks or substituting a different trademark or service mark. We will not be obligated to reimburse you for any loss of goodwill associated with any modified or discontinued Marks or for any expenditure made by you to promote a modified or substitute trademark or service mark. We are not required to defend you from any claims against your use of the Marks. If we choose to defend you, you will fully cooperate with us in such a defense. In that event, we will pay for the costs of such defense unless you elect to proceed through counsel of your own choice.

7.6 Notification of Infringements and Claims.

You agree to immediately notify us of any apparent infringement of or challenge to your use of any Marks or claim by any person of any rights in any Mark, and you will not communicate with any person other than us or our counsel in connection with the infringement, challenge or claim. We will have sole discretion to take the action we deem appropriate and the right to control exclusively any litigation, United States Patent and Trademark Office proceeding or any other administrative or court proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You agree to execute any instruments and documents, render such assistance and do those things including to be named as a party as, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation or United States Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

7.7 Copyrights.

We claim copyrights in the Confidential Information, the Confidential Operations Manual, our construction plans, specifications and materials, printed advertising and promotional materials and in related items used in operating the Franchise. Such copyrights have not been registered with the United States Registrar of Copyrights but have been protected under the federal copyright laws, where appropriate, by virtue of our placing the appropriate notice of copyright on such items. You may use the Confidential Operations Manual and other materials during the term of the Franchise Agreement. The provisions of this Agreement relating to Marks also apply to copyrights owned by us, as if copyrights were included within the definition of Marks.

ARTICLE 8

NON-COMPETITION AND EXCLUSIVE RELATIONSHIP

8.1 Non-Competition.

You agree and acknowledge that the experience, training, and assistance offered by us under this Agreement and your close contact with and knowledge of the Tapioca Express Systems could permit you and your Entity Owner, affiliates, agents, employees, and representatives to take unfair and undue advantage of us and our other franchisees by competing with them during or after the term of this Agreement. You also acknowledge that the Tapioca Express Systems, as a whole, including without limitation information concerning the recipes, formulas and other operational, sales, promotional, and marketing methods and techniques constitutes property rights belonging to us. You further acknowledge that you will receive valuable specialized training and confidential information and trade secrets before opening and during the operation of your Licensed Store. You also acknowledge and agree that we have granted the Franchise to you in consideration of and reliance upon your agreement to deal exclusively with us. Therefore, you, any Restricted Person, and manager of the Licensed Store agree:

(a) During the term of this Agreement, except as otherwise approved in writing by us, you will refrain from competing with Franchisor or Franchisor's other franchisees or engaging in any other business similar to that which is the subject of the franchise;

(b) For a period of two (2) years following the termination (including termination upon transfer of the franchise) or expiration of this Agreement, you will refrain from competing with Franchisor or Franchisor's other franchisee or engaging in any other business similar to that which is the subject of the franchise within a radius of ten (10) miles of the Licensed Store or any other Tapioca Express Store in existence or planned as of the time of termination or expiration of this Agreement;

(c) The manner of competing with Franchisor or Franchisor's other franchisees, including but not limited to owning any direct or indirect interest in a similar or competitive business, performing services as a director, officer, manager, employee, consultant, representative, agent or otherwise;

(d) This Section 8.1 shall not apply to ownership by you of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation;

8.2 Employee Hiring.

During the term of this Agreement and for a period of two (2) years after its termination or expiration, you covenant that you will not employ, recruit or hire any employee who, is at that time, or within the immediately preceding six (6) month period was, employed by us or any Tapioca Express Stores, or another franchisee of us, without obtaining the prior written permission of us or the franchisee.

8.3 Owner and Employee Covenants.

Prior to any Licensed Store manager commencing employment, you agree to provide us with a written agreement from that Licensed Store manager and/or any persons who have access to the Tapioca Express Systems (including the Confidential Operations Manual) accepting and agreeing to be bound by the provisions of this Section 8.1. Notwithstanding the generality of the foregoing, you agree to have each manager, owner and any other employee or person we designate execute the form of Non-Competition and Non-Disclosure Agreement we require, and a copy of each executed agreement shall be provided to us. We shall be a third party beneficiary of each such agreement with the independent right to enforce the agreement's terms.

ARTICLE 9

TRANSFERS

9.1 Transfers by Us.

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

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of "Tapioca Express, Inc." as Franchisor. Nothing contained in this Agreement shall require us to remain in the food service business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement.

9.2 Restrictions on Transfers by You.

Your rights and duties created by this Agreement are personal to you, and we have granted this Agreement to you in reliance upon our perceptions of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and, if you are not an individual, your Entity Owners. Accordingly, no Transfer will be made without our prior written approval. Any Transfer without our approval will constitute a breach of this Agreement and will be void and of no effect.

9.3 Conditions for Approval of Transfers by You.

If you are in full compliance with this Agreement, we will not unreasonably withhold our approval of a Transfer that meets the following requirements:

(a) Character. The proposed transferee and the individuals ultimately owning the transferee, if the transferee is an Entity, must be individuals of good moral character and otherwise meet our then applicable standards for owners of Tapioca Express Stores.

(b) Business Experience. The transferee and, if the transferee is an Entity, its Entity Owners must have sufficient business experience, aptitude and financial resources to operate its business and comply with this Agreement;

(c) Training. The transferee and/or its senior management personnel have agreed to complete our training program to our satisfaction within ten (10) days of the close of escrow or completion of the transfer transaction; In the event that the transferee is or was a Tapioca Express store manager or employee who was employed at the location for more than 5 years and passed Franchisor's product making test, that transferee will only be required to participate five (5) days of training at a cost of $1500.00

(d) Satisfaction of Obligations. You have paid all monies owed for purchases by you from us and our Affiliates and all other amounts owed to us or our Affiliates and third-party creditors;

(e) Assumption of Agreement. The transferee has agreed to be bound by and expressly assume all of the terms and conditions of this Agreement for the remainder of its term, and if the transferee is an Entity, each Entity Owner of the transferee has executed a guarantee in our favor in which each Entity Owner of the transferee guarantees performance by the transferee of the terms and conditions of this Agreement and assumes full and unconditional liability for the performance of all obligations, covenants and agreements of you contained in this Agreement;

(f) Payment of Transfer Fees. You or the transferee has paid twenty-five percent (25%) of our then current initial franchise fee. However, no transfer fee will be required if the Transfer is to a wholly-owned corporation under Section 9.4 or if the Transfer is among existing Entity Owners of you;

(g) Release. You and your transferring Entity Owners, if you are an Entity, have executed a general release, in form satisfactory to us, of any and all claims against us and our Affiliates and our respective officers, directors, employees and agents;

(h) Approval of Terms of Transfer. We have approved the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment are not so burdensome as to affect adversely the operation of the Licensed Stores. However, our approval of a Transfer does not ensure the transferee's success as a Tapioca Express Store franchisee nor should the transferee rely upon our approval of the Transfer in determining whether to acquire the Licensed Store;

(i) Subordination. If you or your Entity Owners finance any part of the sale price of the transferred interest, you and the Entity Owners have agreed that all obligations of the transferee under any promissory notes, agreements or security interests reserved by you (or your Entity Owners) will be subordinate to the transferee's obligations to us and our Affiliates; and

(j) Non-Competition Agreement. Each Restricted Person has executed a non-competition agreement in our favor and in favor of the transferee agreeing to the provisions stated in Section 8.

(k) Landlord Consent. If consent is required, the lessor of the Premises consents to the assignment or sublease of the Premises to transferee;

(l) Non-Use of Marks. You and your Entity Owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to Tapioca Express Stores owned and operated by you or them) (1) identify yourself or themselves or any of their businesses as a current or former Tapioca Express Store, or as a franchisee, licensee or dealer of us or our Affiliates, and (2) use any Mark, any colorable imitation of any of the Marks or other indicia of a Tapioca Express Store in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us or our Affiliates; and

(m) Interim Operation. During the transition period of the proposed transfer, you agree to continue to operate the Store in accordance to our standards and requirements as a normal ongoing business.

In connection with any assignment permitted under this Section 9.3, you will provide us with all documents to be executed by you and the proposed transferee at least thirty (30) days prior to execution of the buy-sell agreement or sixty (60) days prior to the proposed closing date, whichever is earlier.

9.4 Transfer to a Wholly-Owned Corporation.

If you are in full compliance with this Agreement, you may transfer your rights in this Agreement to a corporation (or other limited liability entity) which will conduct no business other than the business contemplated by this Agreement, which you actually manage and in which you maintain management control and own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding capital stock. Transfers of shares of such corporation will be subject to the provisions of Sections 9.2 and 9.3 of this Agreement. Even though a transfer is made under this Section, you will remain personally liable under this Agreement as if the transfer to such corporation had not occurred. The articles of incorporation, by-laws and other organizational documents of the corporation will recite that the issuance and assignment of any interest in the corporation is restricted by the terms of this Article 10, and all issued and outstanding stock certificates of such corporation will bear a legend reciting or referring to these restrictions.

9.5 Our Right of First Refusal.

(a) Submission of Offers to Us. If you or one or more of your Entity Owners desires to make a Transfer, you or the Entity Owner will obtain a bona fide, executed written offer and an earnest money deposit (in the amount of five percent or more of the offering price) from a responsible and fully disclosed purchaser and will immediately submit to us a true and complete copy of such offer, which will include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price and a list of the owners of record and beneficiary of any offeror that is an Entity and the individuals ultimately owning or controlling the offeror. If the offeror or an owner of the offeror is a publicly-held Entity, you will also submit to us copies of the most current annual and quarterly reports of the publicly-held Entity. To be a valid, bona fide offer, the proposed purchase price will be denominated in a dollar amount. The offer must apply only to an interest in this Agreement or a Controlling Interest in you and may not include an offer to purchase any other property or rights of you or your Entity Owners. However, if the offeror proposes to buy any other property or rights from you or your Entity Owners under a separate, contemporaneous offer, the price and terms of purchase offered to you or your Entity owners for the interest in this Agreement or the Controlling Interest in you will reflect the bona fide price offered for that interest and will not reflect any value for any other property or rights.

(b) Our Right to Purchase. We will have the right, exercisable by written notice delivered to you or your Entity Owners within thirty (30) days from the date of delivery of an exact copy of the offer to us, to purchase the interest in this Agreement or such Controlling Interest in you for the price and on the terms and conditions contained in the offer. However we may substitute cash for any form of payment proposed in the offer, our credit will be deemed equal to the credit of any proposed purchaser, and we will have not less than sixty (60) days to close the purchase. Without regard to the representations and warranties demanded by the proposed purchaser, if any, we will be entitled to purchase the interest, receiving from you all customary representations and warranties given by the seller of the assets of a business or equity interest in an Entity, as applicable, including representations and warranties as to ownership, condition of and title to assets, absence of liens and encumbrances relating to the ownership interest and assets, and validity of contracts and liabilities affecting the assets being purchased, contingent or otherwise.

Upon our exercise of this Right to Purchase, you will deliver to us an assignment of the lease for the Licensed Store premises (or, if assignment is prohibited, subleases for the full remaining term and on the same terms and conditions as your lease). Your execution of this Agreement is further deemed to be your assignment or sublease the Premises to us upon our exercise of this Right to Purchase. You agree to use your best effort in causing the landlord of your Premises to consent to such assignment. If you own the premises of the Licensed Store, you agree to lease the premises to us pursuant to the terms of our standard lease, for a term of five (5) years with two (2) successive five (5) year renewal options at fair market rental during the initial and renewal terms.

(c) Non-Competition Restriction. If we exercise our right of first refusal, you and each other Restricted Person agree to the provisions of Section 8. If we exercise our right of first refusal, you and your Entity Owners further agree that you will abide by the restrictions of Section 9.3(j) and (l).

(d) Non-Exercise by Us of Our Right of First Refusal. If we do not exercise our right of first refusal, you (or your Entity Owners) may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to our approval as provided in Sections 9.2 and 9.3. However, if the sale to the purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, our right of first refusal will be extended for thirty (30) days after the expiration of the one hundred twenty (120) day period or after the material change in the terms of the sale.

9.6 Death or Permanent Disability.

If you are an individual, upon your death or permanent disability or, if you are an Entity, upon the death or permanent disability of an individual owner of a Controlling Interest in you, the executor, administrator, conservator or other personal representative of that person will transfer his interest in this Agreement or his Controlling Interest in you within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, to a third party approved by us. A transfer under this Section, including, without limitation, transfer by devise or inheritance, will be subject to all of the terms and conditions for Transfers contained in Sections 9.2 and 9.3 of this Agreement, and unless transferred by gift, devise or inheritance, subject to the terms of Section 9.5. Failure to dispose of such interest within the specified period of time will constitute a breach of this Agreement. For purposes of this Agreement, the term "permanent disability" will mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or an owner of a Controlling Interest in you from supervising the operation of the Licensed Store for a period of six (6) months from the onset of such disability, impairment or condition.

9.7 Effect of Consent to Transfer.

Our consent to a Transfer will not constitute a waiver of any claims we may have against the transferor nor be deemed a waiver of our right to demand full compliance by the transferee with the terms or conditions of this Agreement.

ARTICLE 10

DEFAULT AND TERMINATION

10.1 Termination upon Defaults.

We shall have the right to terminate this Agreement with or without prior notice to you upon the occurrence of any of the following events:

(a) Abandonment. You close, abandon or fail actively to operate the Licensed Store for more than five (5) days, consecutively or separately, in any calendar year without our prior permission in writing, unless caused by any act of God or other circumstances fully beyond your control;

(b) Insolvency. To the extent permitted by law, if you become insolvent or make a general assignment for the benefit of creditors or an admission of your inability to pay your obligations as they become due, or file a voluntary bankruptcy petition or any composition, adjustment, liquidation, dissolution or similar relief under any law, or admit or fail to contest the material allegations of any such pleading filed against you, or are adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of your assets or the Licensed Store, or allow a final judgment or involuntary lien to remain on the record for sixty (60) days or longer;

(c) Unauthorized Transfer. A Transfer, or attempted Transfer or assignment occurs in violation of the provisions of this Agreement;

(d) Misstatements and other Adverse Developments. You, or, if you are an Entity, any Entity Owner of you, have made any material misrepresentation or omission in your application for the rights conferred by this Agreement, are convicted or plead no contest to a felony or to any other crime or offense that may adversely affect the goodwill associated with the Marks, or if you engage in any conduct which may adversely affect the reputation of any Tapioca Express Store or the goodwill associated with the Marks;

(e) Unauthorized Use of Marks or Confidential Information. You or an Entity Owner of you make any unauthorized use of the Marks or any unauthorized use or disclosure of Confidential Information;

(f) Breach of Lease And Loss of Right of Possession. You are in breach of any of your obligations under your lease of the Premises or you lose the right to possession of the Premises;

(g) Failure to Comply with Certain Tapioca Express Systems and Health Requirements You fail or refuse to comply with Tapioca Express Systems relating to the cleanliness or sanitation of the Licensed Store or violate any health, safety or sanitation law, ordinance or regulation and do not correct the noncompliance within twenty-four (24) hours after written notice thereof is delivered to you or your store by us or any government agency, or use "out-of-code" products in violation of the Tapioca Express Systems, including but not limited to the immediate removal and destruction of products that pose imminent risks to public health and safety in our business judgment and discretion;

(h) Failure to Complete Training. You or your store manager fails to satisfactorily complete the initial training and we conclude in our sole discretion that you are unable or unwilling to do so;

(i) Failure to Properly Develop the Store. You fail to plan, develop, or build out the Store in compliance with our specifications and requirements, including but not limited to, the color scheme, store layout, store décor, equipment purchase and placement.

(j) Failure to Make Payments. You fail to make payments, when due, of any monies owed to us or our Affiliates for royalty fees, Marketing Fees or for any other amounts due to us or our Affiliates under this Agreement or in connection with a purchase by you of the Licensed Store assets and you do not correct the failure within ten (10) days after written notice of the failure is delivered to you;

(k) Failure to Pay Taxes. You fail to pay any federal or state income, sales or other taxes due with respect to the Licensed Store's operations, unless you are in good faith contesting your liability for the taxes;

(l) Failure to Make Reports. You fail to timely submit report or information to us as required under this Agreement or Confidential Operation Manual;

(m) Termination Without Cause. You terminate this Agreement without cause;

(n) Other Failure of Performance. You default or fail to comply with, observe, or maintain any other material provisions of this Agreement, any Systems Standard, the Operations Manual, or any written instruction from us to you not otherwise described in this list of defaults.

10.2 Notice of Default.

Upon your default, we, in our sole discretion and depending on the seriousness of the default and the circumstances, may either terminate this Agreement effective immediately without prior notice or terminate this Agreement by giving you a written notice to cure default. If we deliver a notice to cure default to you, you shall commence such cure within twenty-four (24) hours and must affect a complete cure and remedy the damage caused by the default in the shortest possible time, but in no event more than thirty (30) days after the written notice is delivered to you. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to you, effective upon the expiration of the thirty (30) day period or such other shorter period.

10.3 Deviation from Standard.

You acknowledge that the success of the franchise depends upon maintaining high quality products, services and standards of appearance, and you acknowledge the importance of operating your Licensed Store in accordance with Tapioca Express Systems. You further acknowledge that deviation from the requirement of Tapioca Express Systems will damage us, other franchisees, and the goodwill of Tapioca Express, which damage is difficult to quantify. Accordingly, the parties agree that in the event of deviations from the requirements of any provisions of this Agreement or the Operations Manual, you shall pay to us the following Deviation Charges: (a) second (2^{nd}) deviation from Operations Manual in any twelve (12) month period: Five Hundred Dollars ($500); (b) third ($3^{rd}$) deviation from Operations Manual in any twelve (12)month period: One Thousand Dollars ($1,000); and (c) each additional deviation from Operations Manual in any twelve (12) month period: Two Thousand Dollars ($2,000). These Deviation Charges must be paid to us within ten (10) days of receipt of notice from us. We may deduct the Deviation Charges from the Product Deposit that you pay us under Section 4.4. The imposition of Deviation Charges is at our option. In addition to the Deviation Charges, we may elect to pursue other remedies provided in this Agreement, including actual damages and/or termination of this Agreement. If we impose Deviation Charges for any violation, we may thereafter elect to terminate this Agreement for a subsequent violation involving the same or different offense.

ARTICLE 11

EFFECT UPON TERMINATION AND EXPIRATION

11.1 Payment of Amounts Owed to Us and Others following Termination.

You agree to pay us within fifteen (15) days after the date of termination of this Agreement, or such later date as the amounts due to us are determined, the royalty fees, Marketing Fees, amounts owed for purchases by you from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

11.2 Discontinuance of the Use of the Marks following Termination.

You agree that, upon termination of this Agreement, you will:

(a) Not directly or indirectly at any time or in any manner, except with respect to other Tapioca Express Stores owned and operated by you, (1) identify yourself or any business as a current or former Tapioca Express Store, or as a franchisee, licensee or dealer of us or our Affiliates, and (2) use any Mark, any colorable imitation of Marks or other indicia of a Tapioca

Express Store in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us or our Affiliates;

(b) Deliver to us all signs, sign-faces, sign-cabinets, marketing materials, forms, invoices and other materials containing any Marks or otherwise identifying or relating to a Tapioca Express Store and allow us, without liability, to remove all such items from the Licensed Store;

(c) Take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(d) If we do not purchase all or a portion of the assets of the Licensed Store as provided in Section 12 below, make the changes to the exterior and interior appearance of the Licensed Store as reasonably required by us;

(e) Deliver all materials and supplies identified by the Marks in full cases or packages to us for credit and dispose of all other materials and supplies identified by the Marks within thirty days after the effective date of termination of this Agreement;

(f) Notify the telephone company and all telephone directory publishers of the termination of your right to use any telephone or facsimile numbers and any regular, classified or other telephone directory listings associated with any Marks and to authorize transfer of those rights to us or at our direction. You agree that, as between you and us, we have the sole rights to and interest in all telephone numbers and directory listings associated with our Marks. You authorize us and appoint us and any of our officers as your attorney in fact, to direct the telephone company and all telephone directory publishers to transfer any telephone numbers and directory listings relating to the Licensed Store to us or at our direction, should you fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive of our exclusive rights in the telephone and facsimile numbers and directory listings and our authority to direct their transfer; and

(g) Furnish us, within thirty (30) days after the effective date of termination, with evidence satisfactory to us of your compliance with the obligations in this Section.

11.3 Discontinuance of Use of Confidential Information following Termination.

You agree that, upon termination of this Agreement, you will immediately cease to use any Confidential Information disclosed to you pursuant to this Agreement in any business or otherwise and you will return to us all copies of the Operations Manual and any other confidential materials which we have loaned to you.

11.4 Covenant Not to Compete.

(a) Upon termination of this Agreement for any reason other than as a result of our default, you agree that, for a period of two (2) years commencing on the effective date of termination, no Restricted Person will have any direct or indirect interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any competitive business located or operating within a radius of ten (10) miles of the Licensed Store or any other Tapioca Express Stores in existence or planned as of the time of termination or expiration of this Agreement. The restrictions of this Section will not be applicable 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 five percent (5%) or less of the number of shares of that class of securities issued and outstanding. You expressly acknowledge that you and the other Restricted Persons possess skills and abilities of a general nature and have other opportunities for exploiting those skills. Consequently, enforcement of the covenants made in this Section will not deprive you or any of the other Restricted Persons of their personal goodwill or ability to earn a living.

(b) In the event of a breach of the covenant not to compete, you or Restricted Person agree that it is difficult to ascertain the damages for such breach and you or Restricted Person agree the liquidated damage for such breach shall be fifty percent (50%) of the Gross Sales of the violating business or Eight Hundred Dollars ($800) per day per store, whichever is higher.

11.5 Continuing Obligations.

All obligations of us and you which expressly or by their nature survive the termination of this Agreement will continue in full force and effect subsequent to and notwithstanding termination and until they are satisfied in full or by their nature expire. Included in the obligations that will continue following termination of this Agreement are the provisions of Sections 5.3 Restrictions on Customers and Operations, 5.5 Retention of Records, 5.7 Our Right to Audit, 5.11 Insurance, 7.1 Confidential Information, 8.1 Non-Competition, 8.2 Employee Hiring, 9.3(l) Non-Use of Marks, Article 11 Effect Upon Termination, Section 13.4 Indemnification.

11.6 Expiration.

All provisions relating to obligations upon termination are applicable to expiration of this Agreement.

11.7 Liquidated Damages.

Upon termination of this Agreement by us for any of the reasons specified in Article 10, you agree to pay to us within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalty Fees you paid or owed to us during the twelve (12) months of operation preceding the effective date of termination multiplied by (a) twenty-four (24) (being the number of months in two (2) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. You and each of your owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

ARTICLE 12

PURCHASE LICENSED STORES UPON TERMINATION

12.1 Option to Purchase.

Upon termination of this Agreement other than as a result of our default, we or our assignee will have the option, exercisable by giving written notice thereof within sixty (60) days from the date of such termination or expiration, to acquire from you, all or a portion of the inventory of Tapioca Express Products, materials, and supplies that are in good and saleable condition and not obsolete or discontinued ("Inventory") and the equipment, furnishings, signs, and the other tangible assets of the Licensed Stores (collectively, with the Inventory, "Assets"). We will have the unrestricted right to assign this option to purchase and our rights under this Section. We will be entitled to all customary representations and warranties as to ownership, condition of and title to the Assets, no liens and encumbrances on the Assets, and validity of contracts and agreements and liabilities benefiting us or affecting the Assets, contingent or otherwise.

12.2 Purchase Price.

The purchase price for the Assets will be equal to the greater of:

(a) The sum of the book value of the Licensed Store's Assets, other than Inventory, amortized on a straight-line basis over a seven year period, plus the lesser of cost and the then-current wholesale market value of the Inventory, or

(b) The product of the Licensed Store's average cash flow for the two most recently completed fiscal years, multiplied by two. "Cash flow" means the Licensed Store's Gross Sales less all Licensed Store-related costs (i.e., cost of goods sold, labor, occupancy and other Licensed Store expenses) as well as annual administrative costs of Fifteen Thousand Dollars ($15,000), royalty fees and marketing fees, but not including interest and depreciation.

We will have the right to set off against and reduce the purchase price by any and all monies owed by you to us or our Affiliates. We may exclude from the Assets purchased any equipment, furnishings, signs, and usable inventory of Tapioca Express Products, materials, or supplies of the Licensed Stores that we have not approved as meeting our standards for Tapioca Express Stores, and the purchase price will be reduced by the replacement cost of such excluded items which are required in the operation of the Licensed Stores being purchased.

12.3 Payment of Purchase Price.

The purchase price will be paid in cash at the closing of the purchase, which will take place no later than ninety (90) days after your receipt of our notice of exercise of this option to purchase the Licensed Stores, at which time you will deliver instruments transferring to us good and merchantable title to the Assets purchased, free and clear of all liens and encumbrances and with all sales and other transfer taxes paid by you, and with all licenses or permits of the Licensed Stores which may be assigned or transferred. If the closing of the purchase does not occur within the ninety (90) day period because you fail to act diligently in connection with the purchase, the purchase price will be reduced by ten percent (10%). The purchase price will be further reduced by ten percent (10%) per month for each subsequent month you fail to act diligently to consummate the purchase. Prior to closing, you and we will comply with the applicable Bulk Sales provisions of the Uniform Commercial Code as enacted in the state where the Licensed Store is located.

12.4 Lease of Premises.

In connection with the purchase of the Assets of a Licensed Store, you will also deliver to us an assignment of the lease for the Licensed Store premises (or, if assignment is prohibited, subleases for the full remaining term and on the same terms and conditions as your lease). If you own the premises of the Licensed Store, you agree to lease the premises to us pursuant to the terms of our standard lease, for a term of five (5) years with two (2) successive five (5) year renewal options at fair market rental during the initial and renewal terms.

12.5 Interim Management.

If we exercise the option to purchase the Licensed Store, pending the closing of such purchase, we may appoint a manager to maintain the operation of the Licensed Store or, at our option, require you to close the Licensed Store during such time period without removing any assets. If we appoint a manager to maintain the operation of the Licensed Store pending closing of such purchase, all funds from the operation of the Licensed Store during the period of management by our appointed manager will be kept in a separate fund, and all expenses of the Licensed Store, including compensation, other costs, and travel and living expenses of our appointed manager, will be charged to such fund. As compensation for such management services, we will charge such fund ten percent (10%) of the Gross Sales of the Licensed Store during the period of our management. Operation of the Licensed Store during any such period will be on your behalf, provided that we will have a duty only to utilize a good faith effort and will not be liable to you for any debts or obligations incurred by the Licensed Store or to any of your creditors for any merchandise, materials, supplies or services purchased by the Licensed Store during any period in which the Licensed Store is managed by our appointed manager. You will maintain in force for the Licensed Store all insurance policies required by this Agreement until the date of closing.

ARTICLE 13

RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

13.1 Independent Contractor

You understand and agree that you are and will be our independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of your employees will be considered to be our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or fire your employees. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees for qualification to perform certain functions for your Tapioca Express store does not directly or indirectly vest in us the power to hire, fire or control any such employee.

You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements of your Tapioca Express store and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Tapioca Express store, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Tapioca Express store.

You may not, without our prior written approval, have any power to obligate us for any expenses, liabilities or other obligations, other than as specifically provided in this Agreement. Except as expressly provided in this Agreement, we may not control or have access to your funds or the expenditure of your funds or in any other way exercise dominion or control over your Tapioca Express store. Except as otherwise expressly authorized by this agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between us and you is other than that of franchisor and franchisee. We do not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement. We will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to your operation of the Tapioca Express

13.2 Sole and Exclusive Employer of Your Employees

You hereby irrevocably affirm, attest and covenant your understanding that your employees are employed exclusively by you and in no fashion are any such employee employed, jointly employed or co-employed by us. You further affirm and attest that each of your employees is under the exclusive dominion and control of you and never under the direct or indirect control of us in any fashion whatsoever. You alone hire each of your employees; sets their schedules; establishes their compensation rates; and, pays all salaries, benefits and employment-related liabilities (workers' compensation insurance premiums/payroll taxes/Social Security contributions/ /unemployment insurance premiums). You alone have the ability to discipline or terminate your employees to the exclusion of us, which has no such authority or ability. You further attest and affirm that any minimum staffing requirements established by us are solely for the purpose of ensuring that your Tapioca Express store is at all times staffed at those levels necessary to operate your Tapioca Express store in conformity with the System and the products, services, standards of quality and efficiency, and other Tapioca Express store brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. You affirm, warrant and understand that you may staff your Tapioca Express store with as many employees as you desire at any time so long as our minimal staffing levels are achieved. You also affirm and attest that any recommendations you may receive from us regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist it to efficiently operate your Tapioca Express store, and that you are entirely free to disregard our recommendations regarding such employee compensation. Moreover, you affirm and attest that any training provided by us for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Tapioca Express store and in no fashion reflects any employment relationship between us and such employees. Finally, should it ever be asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, including (if necessary) appearing at any venue requested by us to testify on our behalf (and, as may be necessary, submitting itself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that we are the employer, joint employer or co-employer of any of your employees). To the extent we are the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of you, should any such appearance by you be required or requested by us, we will recompense you the reasonable costs associated with your appearing at any such venue.

13.3 You are Not Authorized

You understand and agree that nothing in this Agreement authorizes you or any of the Controlling Principals to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of you or any of the Controlling Principals or any claim or judgment arising therefrom.

13.4 No Liability for the Act of Other Party.

It is agreed that each party has no authority to create or assume in the other party's name or on behalf of the other party any obligation, express or implied, or to act or purport to act as agent or representative of the other party for any purpose whatsoever. All employees or agents hired or engaged by or working for you shall be the employees or agents of only you and shall not for any purpose be deemed employees or agents of us or our Affiliates, nor subject to our control. In particular, we have no authority to exercise control over the hiring, termination, promotion, or demotion of such employees, independent contractors, or others who work for you, their compensation, working hours or conditions, or the day-to-day activities of such persons, except to the extent necessary to protect the goodwill of the Marks and the Tapioca Express Systems. We will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of your business authorized by or conducted pursuant to this Agreement.

13.5 Taxes.

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon you or your assets or upon us, arising in connection with your sales or the business conducted by you pursuant to this Agreement, except for taxes that we are required by law to collect from you with respect to purchases from us and except for our own income taxes. Payment of all such taxes will be your responsibility.

13.6 Indemnification.

You agree to indemnify, defend and hold harmless us, our parent company, subsidiaries and Affiliates and each of our respective shareholders, directors, officers, employees, agents, successors and assigns (the "Indemnified Parties") against and to reimburse the Indemnified Parties for any claims, liabilities, lawsuits, demands, actions, damages and expenses arising from or out of (a) any breach of your agreements, covenants, representations, or warranties contained in this Agreement, (b) any damages or injury to any person, including, but not limited to, your employees, our employees and agents, your customers, and members of the public, suffered or incurred on or about any Licensed Store owned or operated by you, (c) product liability claims or defective manufacturing of Tapioca Express Products by you, or (d) the activities under this Agreement of you or any of your officers, owners, directors, employees, agents or contractors. For purposes of this indemnification, claims will mean and include all obligations, actual, consequential, and incidental damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including reasonable accountant, arbitrator, attorney, and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. We will have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the termination of this Agreement.

ARTICLE 14

GENERAL PROVISIONS

14.1 Severability.

Each article, section, paragraph, term and provision of this Agreement will be considered severable and if, for any reason, any provision of this Agreement is held to be invalid, contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, and such other portions will continue to be given full force and effect and bind the parties, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto, otherwise upon your receipt of a notice of non-enforcement thereof from us.

14.2 Enforcement of Non-Competition Provisions.

If any covenant in this Agreement which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all of the covenant, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

14.3 Rights Provided by Law.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination or non-renewal of this Agreement than is required under this Agreement, or the taking of some other action not required under this Agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions of this Agreement, and we will have the right in our sole discretion to modify the invalid or unenforceable provision to the extent required to be valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court or arbitrator may hold to be unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or arbitration award. Such modifications to this Agreement will be effective only in such jurisdiction, unless we elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

14.4 Waivers by Either of Us.

Either we or you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice of waiver to the other or such other effective date stated in the notice of waiver. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to our continuing review and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice.

14.5 Certain Acts Not to Constitute Waivers.

Neither we nor you will not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach to be a default and to terminate this Agreement prior to the expiration of its term) by virtue of (i) any custom or practice of the parties at variance with the terms of this Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Tapioca Express Stores or franchise agreements; or (iii) our acceptance of any payments due from you after any breach of this Agreement.

14.6 Excusable Non-Performance.

Neither we nor you will be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform obligations results from transportation shortages; inadequate supplies of equipment, merchandise, supplies, labor, material or energy or the voluntary suspension of the right to acquire or use any of those items in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any governmental agency; suspension, delay, or inspection caused or ordered by any government agency; compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any governmental department or agency; acts of God; fires, strikes, labor dispute stoppages, embargoes, war or riot; or any other similar event or cause beyond the reasonable control of the party. Any delay resulting from any of those causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable. Notwithstanding the foregoing, your lack of sufficient funds to operate the Licensed Store shall not be an excuse for your non-performance under this Agreement.

14.7 Injunctive Relief.

Notwithstanding anything to the contrary contained in Section 14.10 below, we and you will each have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. However, the parties will contemporaneously submit their dispute for arbitration on the merits. You agree that we may have temporary or preliminary injunctive relief without bond, but upon due notice, and your sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived). It is further agreed that any such action shall be submitted to the Superior Court of California for the County of Los Angeles.

14.8 Rights of Parties Are Cumulative.

All rights and remedies under this Agreement are cumulative of each other and neither the exercise nor the failure to exercise any such right or remedy will preclude the exercise or enforcement by a party of any such or other right or remedy under this Agreement.

14.9 Costs and Attorney's Fees.

If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

14.10 Dispute Resolution.

(a) Mediation. The parties agree to mediate any dispute or claim arising between us out of this Agreement, or any resulting transaction, before resorting to arbitration or court action, subject to the Exclusion below. Mediation fees, if any, shall be divided equally among the parties. Mediation shall be held in the City of South El Monte or elsewhere in the County of Los Angeles, California. If any party commences an action based on a dispute or claim to which this paragraph applies, without first attempting to resolve the matter through mediation, then that party shall not be entitled to recover attorney's fees, even if they would otherwise be available to that party in any such action.

(b) Arbitration. If mediation fails to yield resolution and subject to the exclusion below, any dispute between you and us arising out of or relating to this Agreement shall be determined by arbitration. Such arbitration shall be conducted through American Arbitration Association or a similar dispute resolution service organization before an arbitrator to be agreed upon by the parties. The arbitrator(s) shall be attorneys or retired judges who have substantial experience in franchise law. If the parties are unable to agree on the arbitrator, each party shall nominate one arbitrator. These two arbitrators shall select one other arbitrator. The three shall arbitrate. The arbitrator(s)' decision shall be final and binding upon all parties. All arbitrator(s), whether a single arbitrator or a panel of three, shall have the knowledge and expertise in franchise law area. The arbitration proceeding shall be conducted in the City of South El Monte, or such other place within the County of Los Angeles, California. California Code of Civil Procedure, as it relates to pretrial discovery, shall apply to the arbitration. In all other respects, the rules of American Arbitration Association shall control. Judgment upon the award rendered by the arbitration may be entered into any court having competent jurisdiction thereof. The parties agree that neither shall have the right to punitive or exemplary damages from the other.

(c) Exclusions from Mediation and Arbitration. The following matters are excluded from Mediation and Arbitration: (a) Franchisor may seek injunctive, provisional or other equitable relief to enforce provisions of this Agreement; (b) any matter which is within the jurisdiction of a probate, small claims, or bankruptcy court; and (c) any other matter provided in this Agreement to be excluded from arbitration. The filing of a court action to enable the recording of a notice of pending action for order of attachment shall not constitute a violation of the mediation and arbitration provisions.

(d) Survival. The provisions of this Section 14.10 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

14.11 Governing Law.

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law that preempts California law, this Agreement and the relationship between you and us will be governed by the procedural and substantive laws of the State of California.

14.12 Binding Effect.

Subject to the restrictions on Transfers contained in this Agreement, this Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest and will not be modified except by written agreement signed by both you and us.

14.13 Limitation of Claims; Waiver of Jury Trial; Waiver of Punitive Damages.

Any and all claims arising out of or relating to this Agreement or the relationship among the parties to this Agreement will be barred unless an action or proceeding is commenced within one (1) year from the date you or we knew or should have known of the facts giving rise to such claim.

We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us against the other. You, Restricted Person and we hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

14.14 No Third Party Beneficiaries.

Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

14.15 Approvals.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any action or request by you, we have the absolute right to refuse any request by you or to withhold our approval of any action by you that requires our approval.

14.16 Headings.

The headings of the several sections and paragraphs of this Agreement are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.

14.17 Joint and Several Liability.

If you consist of two or more persons or Entities, whether or not as partners, joint ventures, or co-owners, the obligations and liabilities of each person and Entity to us are joint and several.

14.18 Counterparts.

This Agreement may be executed in multiple copies, each of which will be deemed an original.

14.19 Notices and Payments.

All written notices and reports permitted or required to be delivered by the provisions of this Agreement will be deemed so delivered at the time delivered by hand; one (1) business day after transmission by telegraph, facsimile, or other electronic system; one (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or three (3) business days after placement in the United States Mail by registered or certified mail, return receipt requested, postage prepaid, and will be addressed to the parties at the addresses set forth on the first page of this Agreement or to such other address as a party may specify in a written notice to the other party. Any required payment or report not actually received by us during regular business hours on the date due (or postmarked by postal authorities at least two days prior thereto) will be deemed delinquent.

14.20 Entire Agreement.

The preambles and exhibits are a part of this Agreement. This Agreement constitutes the entire agreement of the parties and supersede any and all prior negotiations, understanding, representation, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractor, or franchisees that are contrary to the terms set forth in this agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.

[Signatures appear on the next page]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the day and year first above written.

FRANCHISOR:	**FRANCHISEE:**
TAPIOCA EXPRESS, INC. a California corporation	____________________ a ____________________
By: ____________________ Title: ____________________	By: ____________________ Title: ____________________
By; ____________________ Title: ____________________	By: ____________________ Title: ____________________
	By: ____________________ Title: ____________________

* * * * * * * * * * * * *

EXHIBIT 1 TO FRANCHISE AGREEMENT

DESIGNATED TERRITORY

Designated Territory in this Franchise Agreement is defined as an area within a radius of _______ (___) mile from the front door of the Licensed Store. A margin of error of one tenth (1/10) of the radius in measurement shall not be deemed as an infringement of the Designated Territory.

Signature ____________________________
[Print Name]

Signature ____________________________
[Print Name]

Signature ____________________________
[Print Name]

Signature ____________________________
[Print Name]

EXHIBIT 2 TO FRANCHISE AGREEMENT

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF CALIFORNIA

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

2. 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.).

3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

4. 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.

5. 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. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

6. The Franchise Agreement requires binding arbitration. The arbitration will occur at California with the costs being borne by equally by the parties. 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.

7. The Franchise Agreement requires application of the laws of California. This provision may not be enforceable under California law.

8. You must sign a general release if you renew or transfer your franchise. 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 CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE

FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

10. OUR WEBSITE, www.tapiocaexpress.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

EXHIBIT 2 TO FRANCHISE AGREEMENT

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

3. LITIGATION

Neither the Franchisor, its Predecessor nor any person listed under Item 2 or an affiliate offering franchises under Franchisor's principal trademark:

(A) 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) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten 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; anti-fraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; unfair or deceptive practices; or comparable allegations.

(C) 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.

4. BANKRUPTCY

Neither the Franchisor, its affiliate, its predecessor, officers, or general partner during the ten year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code (or any comparable foreign law); (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the Franchisor held this position in the company or partnership.

5. INITIAL FEES

The initial franchise fee is used in part for working capital and in part as profit.

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF WASHINGTON

The State of Washington has a statute, RCW 19.100.180, which 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 involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, 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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______ day of ______________, 20___.

ATTEST

TAPIOCA EXPRESS, INC.

____
Witness

By:______________________
Name:______________________
Title:______________________

FRANCHISEE:

______________________________ ____

Witness

Exhibit C to the Disclosure Document

GUARANTY

In consideration of, and as an inducement to, the execution by Tapioca Express, Inc. ("TEI") of the Franchise Agreement dated as of ____________, 20___, as amended from time to time (the "Franchise Agreement") between ________________________ ("Franchisee") and TEI, each of the undersigned ("Guarantors") unconditionally guarantees to TEI that Franchisee will perform each and every covenant, payment, agreement, and undertaking required by the Franchise Agreement, including without limitation the prompt payment when due of all franchise fees, operating fees, and advertising and marketing fees. This Guaranty shall be continuing and irrevocable throughout the term of the Franchise Agreement and any extension or renewal thereof and thereafter until all obligations of Franchisee to TEI have been satisfied.

This Guaranty is a guaranty of performance, not merely one of collection. TEI and its successors and assigns may, from time to time without notice to Guarantors and without diminishing Guarantors' obligations hereunder: (a) resort to any of the Guarantors for payment of any of Franchisee's liabilities, whether or not TEI or its successors have resorted to any property that secures the liabilities or proceeded against any other of the Guarantors or against Franchisee on any of the liabilities; (b) release or compromise liability of any Guarantor hereunder or any liability of any parties primarily or secondarily liable on any of the liabilities; and (c) extend, renew, or credit any of the liabilities for any period (whether or not longer than the original period).

Guarantors agree to comply with and abide by the various restrictive covenants and non-disclosure provisions contained in the Franchise Agreement (specifically to Sections 5, 7, 8, and 11 thereof) to the same extent as and for the same period of time as Franchisee is required to comply with and abide by such covenants and provisions.

Guarantors' obligations shall survive any termination, expiration, non-renewal, or transfer of the Franchise Agreement or this Guaranty. Until all obligations of Franchisee to TEI have been satisfied, Guarantors' obligations shall remain in full force and effect without regard to, and shall not be released, discharged or in any way modified or affected by, any circumstance or condition (whether or not Guarantors shall have any knowledge or notice thereof), including without limitation Franchisee's bankruptcy, insolvency, reorganization, composition, liquidation, or similar proceeding. Guarantor agrees that any current or future indebtedness by the Franchisee to the Guarantor will always be subordinate to any indebtedness owed by Franchisee to Franchisor. The remedies provided in this Guaranty shall be nonexclusive and cumulative of all other rights, powers, and remedies provided under the Franchise Agreement or by law or in equity.

Guarantors further waive presentment, demand, notice of dishonor, protest, nonpayment, and all other notices whatsoever, including without limitation: notice of acceptance hereof, notice of all contracts and commitments, notice of the existence or creation of any liabilities under the Franchise Agreement or the amount and terms thereof, and notice of defaults, disputes or controversies resulting from the Franchise Agreement or otherwise, and the settlement, compromise or adjustment thereof.

Guarantors agree to pay all expenses incurred by TEI in attempting to enforce the Franchise Agreement against Franchisee and this Guaranty against Guarantors, including reasonable attorneys' fees. Any waiver, extension of time, acceptance of partial payment, or other indulgence granted from time to time by TEI, its agents, and its successors or assigns, with respect to the Franchise Agreement shall in no way modify or amend this Guaranty, which shall be continuing, absolute, unconditional, and irrevocable. No delay or failure of TEI in the exercise of any right, power, or remedy shall operate as a waiver thereof, and no partial exercise by TEI shall preclude any further exercise thereof or the exercise of any other right, power or remedy. Guarantors intend that they shall remain liable hereunder as a principal until all obligations shall have been satisfied, notwithstanding any fact, act, event, or occurrence that might otherwise operate as a legal or equitable discharge of Guarantors.

If more than one person has executed this Guaranty, "Guarantors" as used in this Guaranty shall refer to each such person, and the liability of each of Guarantors hereunder shall be joint and several and primary. Guarantors shall not assign or delegate this Guaranty without the prior written consent of TEI.

This Guaranty shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty of Franchisee's Undertakings effective as of the date set forth below.

Date: ________________	Date: ________________	Date: ________________
Guarantor	Guarantor	Guarantor
________________	________________	________________
Signature	*Signature*	*Signature*
________________ *[Print]*	________________ *[Print]*	________________ *[Print]*

State of ________________) SS.
County of ________________)

On ______________, 20____, before me, __________________________, personally appeared ________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

________________________________ [Seal]

Exhibit D to Disclosure Document

NON-COMPETITION AND NON-DISCLOSURE AGREEMENT

THIS AGREEMENT, made and entered into on _____________, 20__, by and among Tapioca Express, Inc., a California corporation ("TEI"), and ______________________________ [Franchisee], a __________________ [type of entity] ("Franchisee"), and _________________ [individual's name] ("Employee"), an individual with and address at ________________________________.

INTRODUCTION

A. Franchisee employs or is about to employ Employee. Employee acknowledges that the experience, training, and assistance offered by TEI and Franchisee in Employee's employment and Employee's close contact with and knowledge of certain confidential and proprietary information could permit Employee to take unfair advantage of TEI or Franchisee by competing with them during or after the term of Employee's employment;

B. The execution and delivery of this Agreement by Employee is a condition for Franchisee to employ Employee and for TEI to authorize the disclosure of certain information to Employee. In consideration of the premises and mutual promises contained herein and in the Franchise Agreement, the parties hereto, intending to be legally bound, hereby agree as follow:

AGREEMENT

1. Non-disclosure of Confidential Information. Employee agrees to hold in confidence on and after the date hereof all Confidential Information, and shall not disclose, communicate, publish, or make use of all or any part of any Confidential Information, after the date hereof without the prior written consent of TEI.

Confidential Information shall mean all disclosures and communications made to Franchisee and Employee by or at the direction of TEI and not available to the general public. Confidential Information includes without limitation all recipes, formula, and methods for the preparation of Tapioca Express Products, techniques, formats, specifications, systems, procedures, sales and marketing techniques and knowledge of the development and operation of Tapioca Express stores, marketing programs for Tapioca Express stores; knowledge of specifications for and suppliers of certain Tapioca Express Products, materials, supplies, equipment, knowledge of operating results and financial performance of Tapioca Express Stores, all trade secrets, and all portions of TEI's Confidential Operations Manual.

The restrictions from disclosure stated above are in addition to and not in lieu of protections afforded to trade secrets and proprietary confidential information under applicable state law. Nothing in this Agreement is intended to or shall be interpreted as diminishing or otherwise limiting TEI's right under applicable state law to protect its trade secrets and proprietary confidential information.

2. Return of Materials. Upon the request of TEI or upon the termination of Employee's relationship with Franchisee, Employee shall deliver to TEI or Franchisee all memoranda, notes, records, manuals, drawings or other documents (including, but not limited to, written instruments, voice or data recordings, or computer tapes, disks or files of any nature), including all copies of such materials and all documentation prepared or produced in connection therewith, containing Confidential Information regarding TEI or its business, whether made or compiled by Employee or furnished to Employee by virtue of employee's relationship with TEI or Franchisee.

3. Non-competition Covenant. Employee hereby covenants that during his or her employment with Franchisee and for a period of two (2) years after his or her employment with Franchisee ends for whatever reason, Employee will not in any manner (other than as an employee of or consultant to TEI or another Tapioca Express franchisee), directly or indirectly by assisting others, engage in, have any equity or profit interest in, or render services of any executive, administrative, supervisory, marketing, production or consulting nature, to any corporation or other entity that conducts business that is substantially similar to Tapioca Express stores within ten (10) miles of any existing Tapioca Express stores without the prior written consent of TEI.

4. Employee Non-solicitation. Employee hereby agrees that Employee shall not, for a period of two (2) years following the date of this Agreement, in any manner (other than as an employee of or consultant to TEI), directly or indirectly by assisting others, recruit or hire, or attempt to recruit or hire, on Employee's own behalf or on behalf of any other person, firm or corporation, any employee of TEI or Tapioca Express franchisees without the prior written consent of TEI.

5. Severability. If a judicial or arbitral determination is made that any of the provisions of this Agreement constitute an unreasonable or otherwise unenforceable restriction against Employee, such provisions of this Agreement shall be amended so that it is enforceable to the fullest extent permissible under the laws of the jurisdiction in which enforcement is sought. Any judicial or arbitral authority construing this Agreement shall be empowered to sever any prohibited business activity, time period, or geographical area from the coverage of this Agreement and to apply the provisions of this Agreement to the remaining business activities and the remaining time period not so severed by such judicial or arbitral authority. The time period during which the prohibitions set forth in this Agreement shall apply shall be tolled and suspended for a period equal to the aggregate quantity of time during which Employee violates such prohibitions in any respect.

6. Injunctive Relief. Employee hereby agrees that any remedy at law for any breach of the provisions contained in Paragraphs 1, 3, or 4 hereof shall be inadequate and that TEI or Franchisee shall be entitled to injunctive relief in addition to any other remedy TEI or Franchisee may have under this Agreement.

7 Miscellaneous

a. Binding Effect. This Agreement shall be binding upon, and inure to the benefit of, TEI and its successors and assigns, and Employee and his respective heirs, representatives and assigns.

b. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of California without regard to the conflicts of law principles thereof.

c. Headings. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

d. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

e. No Employment Relationship with TEI. All parties agree and acknowledge that Employee is an employee of Franchisee, not TEI. Nothing contained in this Agreement shall be construed otherwise.

f. Entire Agreement: Amendments. This Agreement is intended by the parties hereto to be the final expression of their agreement with respect to the subject matter hereof and is the complete and exclusive statement of the terms thereof, notwithstanding any representations, statements or agreements to the contrary heretofore made. This Agreement may be modified only by a written instrument signed by each of the parties hereto.

g. Waiver of Conditions. Any party may, at its option, waive in writing any or all of the conditions herein contained to which its obligations hereunder are subject. No waiver of any provision of this Agreement, however, shall constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

h. TEI is a Third Party Beneficiary. Franchisee and Employee acknowledge and agree that TEI shall be a third party beneficiary of this Agreement with the independent right to enforce the terms hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

EMPLOYEE	FRANCHISEE
______________________________	______________________________
By:	By

Exhibit E to the Disclosure Document

TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL

By Franchisor

H. Forms

VII. STORE MANAGEMENT AND OPERATION

A. Staff
B. Insurance
C. Royalty
D. Use of Marks
    Use of Marks
    Notification of infringement
E. Restricted Persons
F. Transfer
   Forms (ID of restricted person)

PERSONNEL MANAGEMENT

A. Hiring & Interviewing
B. Overall Procedures
    Job duties
    Working hours
    Uniform
    Confidentiality agreement

C. Personnel Policy
D. Forms

MARKETING

A. System-wide Marketing
B. Local Marketing

CUSTOMER SERVICES

A. Our Philosophy and Goals
B. Processing Complaint
    Records
    Report to Insurer and Franchisor
C. Forms

Exhibit F to the Disclosure Document

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Tapioca Express, Inc. (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Tapioca Express Store (the "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _______________, 20___.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

____
____
____
____
____
____

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

____
____
____
____
____
____

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? ____

____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

____
____
____
____

I signed the Franchise Agreement and Addendum (if any) on _____________, 20___, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

____

____

____

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this _____ day of ________________, 20____.

Sign here if you are taking the franchise as an INDIVIDUAL

____
Signature

Print Name______________________

____
Signature

Print Name______________________

____
Signature

Print Name______________________

____
Signature

Print Name______________________

Sign here if you are taking the franchise as a CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

____
Print Name of Legal Entity

By:______________________________
Signature

Print Name______________________

Title___________________________

Exhibit H to the Disclosure Document

MULTI-STATE ADDENDUM

CALIFORNIA APPENDIX

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

2. 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.).

3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

4. 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.

5. 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. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

6. The Franchise Agreement requires binding arbitration. The arbitration will occur at California with the costs being borne by equally by the parties. 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.

7. The Franchise Agreement requires application of the laws of California. This provision may not be enforceable under California law.

8. You must sign a general release if you renew or transfer your franchise. 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 CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

10. OUR WEBSITE, www.tapiocaexpress.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

1. The following item must be included within the Disclosure Document and shall replace the language that is in the Disclosure Document itself:

Section 4, Jurisdiction and Venue, of the Illinois Franchise Disclosure Act of 1987 ("Act") states that "any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State." This Section of the Act replaces any contradictory language contained in the Franchise Agreement.

2. Illinois law governs the Franchise Agreement.

3. Any releases and/or waivers that we request you to sign must conform with Section 41, Waivers Void, of the Illinois Franchise Disclosure Act of 1987 which states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code."

4. Under Illinois law at 200.608, Jurisdiction and Venue, a franchise agreement may not provide for a choice of law of any state other than Illinois. The Summary column of Items 17(v) and (w) of the Disclosure Document are amended to state "Illinois law". The appropriate sections of the Franchise Agreement are amended accordingly.

5. The appropriate sections of the Franchise Agreement are amended to comply with Section 27, Periods of Limitation, of the Act to allow any and all claims and actions arising out of or relating to these Agreements, the relationship of Franchisor and Franchisee, or your operation of the Franchise brought by you against us shall be commenced within 3 years from the occurrence of the facts giving rise to such claim or action, within 1 year after you become aware of the facts or circumstances indicating you may have a claim for relief, or 90 days after delivery to you of a written notice disclosing the violation, or such claim or action will be barred.

6. Item 17(g) of the Disclosure Document and the appropriate sections of the Franchise Agreement are amended by changing the time frame to cure defaults, excluding defaults for safety or security issues, to 30 days.

ADDENDUM REQUIRED BY THE STATE OF INDIANA

1. To be added to Item 3 of the Disclosure Document, is the following statement:

There are presently no arbitration proceedings to which the Franchisor is a party.

2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.

3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).

4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. The appropriate sections of the Franchise Agreement are hereby amended.

5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for Tapioca Express, Inc.'s Franchise Disclosure Document and for its Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1. Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

5. The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

7. The appropriate sections of the Franchise Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

8. The Franchise Agreement and Franchisee Disclosure Acknowledgment Statement are amended to include the following statement: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

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

(a) A prohibition on the right of a franchisee to join an association of franchises.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

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

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

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

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

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

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

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

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

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

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

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Marilyn McEwen
525 W. Ottawa Street, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

This addendum to the Disclosure Document is agreed to this ___ day of __________, 20__, and effectively amends and revises said Disclosure Document and Franchise Agreement as follows:

1. Item 13 of the Disclosure Document and the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchise from any loss, costs or expenses arising out of any claim, suit or demand regarding such use."

2. Item 17 of the Disclosure Document and the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

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

days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld."

3. Item 17 of the Disclosure Document and the Franchise Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

"Minn. Stat. Sec. 80C.21 and Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

4. Item 17 of the Disclosure Document and the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

"Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release."

5. The Franchise Agreement is hereby modified to comply with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

6. The Franchise Agreement section regarding Limitations of Claims is hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

7. Item 6, Insufficient Fund Fees: NSF fees are governed by Minnesota Statute 604.113; which puts a cap of $30 on a NSF check. This applies to everyone in Minnesota who accepts checks except banks.

8. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. The Franchise Agreement is hereby amended accordingly.

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

3. LITIGATION

Neither the Franchisor, its Predecessor nor any person listed under Item 2 or an affiliate offering franchises under Franchisor's principal trademark:

(A) 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, 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.

(B) Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten 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; anti-fraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; unfair or deceptive practices; or comparable allegations.

(C) 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.

4. BANKRUPTCY

Neither the Franchisor, its affiliate, its predecessor, officers, or general partner during the ten year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code (or any comparable foreign law); (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the Franchisor held this position in the company or partnership.

5. INITIAL FEES

The initial franchise fee is used in part for working capital and in part as profit.

DISCLOSURES REQUIRED BY NORTH CAROLINA LAW

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled. (N.C.G.S. §66-95)

Effective Date: ______________

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the Disclosure Document and Franchise Agreement effectively amends and revises said documents as follows:

1. Item 17(c) of the Disclosure Document and Sections 2 and 9 of the Franchise Agreement are hereby amended to indicate that a franchisee shall not be required to sign a general release.

2. Covenants not to compete are generally considered unenforceable in the State of North Dakota, in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law. Item 17(r) of the Disclosure Document and Section 14 of the Franchise Agreement are amended accordingly.

3. Item 17(u) of the Disclosure Document and Section 14 of the Franchise Agreement are amended to provide that arbitration shall be held at a site that is agreeable to all parties.

4. Item 17(v) of the Disclosure Document and the provisions of Section 14 of the Franchise Agreement which require jurisdiction of courts in California are deleted.

5. Item 17(w) of the Disclosure Document and Section 14 of the Franchise Agreement are amended to indicate that the agreements are to be construed according to the laws of the State of North Dakota.

6. Apart from civil liability as set forth in Section 51-19-12 N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents. Therefore, North Dakota franchisees will not be required to waive their rights under North Dakota law.

7. The provisions of Section 14 of the Franchise Agreement which require a franchisee to consent to (1) a waiver of trial by jury and (2) a waiver of exemplary and punitive damages are contrary to Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby deleted.

8. The provisions of Section 14 of the Franchise Agreement which require a franchisee to consent to a limitation of claims are hereby amended to state that the statute of limitations under North Dakota law applies.

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

"A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Tapioca Express, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

1. Additional Disclosure: The following statements are added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

The State of Washington has a statute, RCW 19.100.180, which 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 involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, 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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______ day of _____________, 20___.

ATTEST　　　　　　　　　　TAPIOCA EXPRESS, INC.

________________________　　　　By:_________________________________

Witness

Name:______________________________

Title:______________________________

FRANCHISEE:

____

____

Witness

Exhibit I to the Disclosure Document

GENERAL RELEASE AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into this ____ day of _____________, 20___ by and between Tapioca Express, Inc., a California corporation having its principal place of business located at 1908 Central Avenue, South El Monte, California 91733 (the "Franchisor"), and __________________, a ____________ with a principal address at ____________________ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor**:

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. California law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of California.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

Witness:	RELEASOR:
______________________	______________________ (Name)
Witness:	TAPIOCA EXPRESS, INC.:
______________________	By:______________________ Name:____________________ Title:_____________________

Exhibit J to the Disclosure Document

LIST OF FRANCHISEES

Corp.	Address	City	State	Zip	Store Phone
Tapioca Lattea, Inc.	228 W. Valley blvd. #105	Alhambra	CA	91801	626-289-9735
Triangship, Inc.	160 E. Duarte. Rd. #A	Arcadia	CA	91006	626-446-7597
G2 Enterprise	12751 Towne Center Dr. B-2	Cerritos	CA	90703	562-860-6528
Sun & J Management. Inc	5408 Walnut Ave. #G	Irvine	CA	92604	949-786-8688
Dilbri, Inc	2636 Dupont Dr. #B40	Irvine	CA	92612	949-553-9988
Tapioca Republic, Inc.	4646 Convoy St. #106B	San Diego	CA	92111	858-636-7889
Coffee Tea & Beyond, Inc.	7770 Regents Rd #101	San Diego	CA	92122	858-597-0088
Lucky Tea LLC	9500 Gilman Drive	La Jolla	CA	92093	858-678-8821
J & Y Tea House	980 E. Las Tunas Dr., #E	San Gabriel	CA	91776	626-285-5066
Impat, Inc	1019 S.Glendora Ave.	West Covina	CA	91790	626-813-3868
MJM Teas LLC	9922 Bolsa Ave.	Westminster	CA	92683	714-839-3655
T Sweet T.	2306 Encinal Avenue # B	Alameda	CA	94501	510-865-2968
Pearl Bunnies, LLC.	43421 Christy St.	Fremont	CA	94538	510-226-8200
Ta Investment & Management, LLC	8650 San Ysidro Ave #102	Gilroy	CA	95020	408-846-1818
Jan Chu, Inc	1710 N. Milpitas Blvd.	Milpitas	CA	95035	408-946-7280
Lannan Du	740 Villa St	Mountain View	CA	94041	650-965-3093
Erivera Enterprise, LLC	8955 Mira Mesa	Mira Mesa	CA	92126	619-779-9862
Eric Law	2069 Arena Blvd., #140	Sacramento	CA	95834	916-574-9898
Thai Ky Te Corp.	5681 Snell Ave. #1	San Jose	CA	95123	408-972-2587
G & S Store, Inc	129 West Joaquin Ave	San Leandro	CA	94577	510-357-3781
Tea Expert, Inc.	1707 Decoto Rd.	Union City	CA	94587	510-487-1887
Maharlika, LLC	3720 Sonoma Blvd	Vallejo	CA	94589	707-558-9236
KS Pearl Tea Inc.	3005 Silver Creek Rd., #134	San Jose	CA	95121	408-528-1147

Corp.	Address	City	State	Zip	Store Phone
BAA Pearl Tea, Inc	2285 McKee Rd.	San Jose	CA	95133	408-729-3000
Café Alexander	457 Saratoga Ave.	San Jose	CA	95129	408-423-9250
Lee USA888, Inc.	6145 El Cajon Blvd. Suite G	San Diego	CA	92115	619-286-0484
NO VN, Inc	81 Curtner Ave. Suite 40	San Jose	CA	95125	408-999-0128
Erivera Enterprise, LLC	2220 E. Plaza Blvd. Ste. S	National City	CA	91950	619-479-3648
Edeleen, Inc.	1480 Eastlake Pkwy. Suite 903	Chula Vista	CA	91915	619-421-8988
BN Thai, Inc.	3033 Bristol St. Suite L	Costa Mesa	CA	92626	714-549-0811
AURUM 100, Inc.	4366 Bonita Rd.	Bonita	CA	91902	619-434-8312
H & Z Development Initiative, Inc.	1441 West MacArthur Blvd. Suite C	Santa Ana	CA	92707	714-850-1856
Edeleen, Inc.	4370 Palm Ave., Suite Q	San Diego	CA	92154	619-428-5508
Erivera Enterprise, LLC	285 E. Orange Ave., Suite C3	Chula Vista	CA	91911	619-422-2046
NO VN, Inc.	6821 Stockton Blvd., Suite 100	Sacramento	CA	95823	916-391-6800
Boba-licious LLC	2611 Vista Way	Oceanside	CA	92054	760-722-8279
Boba-licious LLC	200 East Barham Drive , Suite #104	San Marcos	CA	92078	760-510-1232
Haeyoung Corporation	71816 Baker Blvd.	Baker	CA	92309	760-881-3733
Theanie, Inc	3052 E. Campus Point Dr. Bldg # 300	Fresno	CA	93710	559-322-1734
Erivera Enterprises LLC	3910 S. Maryland Pkwy #9	Las Vegas	NV	89119	720-471-0085
Northwest Tea Station, Inc.	15230 NE 24th Street # R	Redmond	WA	98052	425-643-9406
Northwest Tea Station, Inc.	22315 Highway 99 Suite A	Edmonds	WA	98026	425-774-6764

Exhibit K to the Disclosure Document

FRANCHISEES WHO HAVE LEFT THE SYSTEM

FOR FISCAL YEAR 5/31/2016

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

Name	City and State	Most Recent Known Number
Infinity, LLC	10118 Bandley Dr. # G Cupertino, CA 95014	408-873-0918
Yimchoi, Inc.	4250 Barranca Pkwy Unit G	Irvine
Feng Cheng Int'l Enterprise Corp.	39185 Cedar Blvd.	Newark
Dana Phan	979 Story Rd. Ste 7045	San Jose

RECEIPT

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

If Tapioca Express, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan, Oregon and Wisconsin require that we 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 Tapioca Express, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Tapioca Express, Inc., located at 1908 Central Avenue, South El Monte, California 91733. Its telephone number is (626) 453-0777.

Issuance date: September 12, 2016. See the State Effective Dates page for state related information.

The name, principal business address and telephone number of the franchise seller for this offering is: ____.

Tapioca Express, Inc. authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated ______________, 20___ that included the following Exhibits:

A – List of State Agencies/Agents for Service of Process	G – Financial Statements
B – Franchise Agreement	H – Multi-State Addendum
C – Guaranty	I – Form of General Release
D – Non-competition and Non-disclosure Agreement	J – List of Franchisees
E – Table of Contents of Confidential Operations Manual	K – List of Franchisees Who Have Left the System
F – Franchisee Disclosure Acknowledgment Statement	

Date:____________________
(Do not leave blank)

____
Signature of Prospective Franchisee

____
Print Name

You may return the signed receipt by signing, dating and mailing it to Tapioca Express, Inc. at 1908 Central Avenue, South El Monte, California 91733.

RECEIPT

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

If Tapioca Express, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan, Oregon and Wisconsin require that we 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 Tapioca Express, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

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