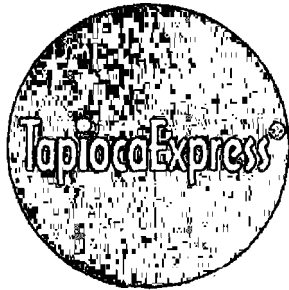


FRANCHISE DISCLOSURE DOCUMENT



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 - \$527,000. This includes between \$60,500 to \$ 82,000 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 your state agencies about them.

The issuance date: September 17, 2018

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	
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	November 4, 2016 as amended
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	
Virginia	
Washington	
Wisconsin	N/A

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B	Franchise Agreement
C	Guaranty
D	Non-competition and Non-disclosure Agreement
E	Table of Contents of Confidential Operations Manual
F	Franchisee Disclosure Acknowledgment Statement
G	Financial Statements
H	Multi-State Addendum
I	Form of General Release
J	List of Franchisees
K	List of Franchisees Who Have Left the System
L-	Wal-Mart Master Lease Agreement
	Receipts (Two Copies)

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. However, nothing in any agreement(s) you execute is intended to disclaim any representations we have made in this Franchise Disclosure Document.

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. We are the Lessee under the Master Lease with Wal-Mart. We will offer these locations if and when they are available. If you choose to operate a Tapioca Express beverage and food store within a Wal-Mart Store, we will be the Sublessor under the Sublease Agreement you will be required to sign. The Sublease Agreement is Exhibit 3 to the Franchise Agreement

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. We are also offering the opportunity for you to establish a Tapioca Express beverage and food store within a Wal-Mart Store. If you operate your Restaurant within a Wal-Mart store, we will sublease the premises to you, and you must abide by the terms of the Wal-Mart Master Lease Agreement. The form of sublease is attached to the Franchise Agreement as Exhibit 3. The Wal-Mart Master Lease Agreement is attached to this Disclosure Document as Exhibit L

Market and Competition

The market for Tapioca Express beverage and food store in general is well developed and highly competitive. 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

In California 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; a grand opening marketing materials fee of \$6,000; and mandatory equipment purchase for \$17,000.

Outside California you must pay us an initial payment of \$56,000 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; 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 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.

Security Deposit

This charge is assessed under the terms of the Wal-Mart Sublease Agreement attached as Exhibit 3 to the Franchise Agreement. The Security Deposit of \$3,000 is for 3 months.

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.
Continuing Royalty Fee (2)	2.5% of Gross Sales or \$500 per month, whichever is higher	Payable on the 5 th day of each month (or the next business day if the 5 th 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

Type of Fee (1)	Amount	Due Date	Remarks
Deviation from Standard	\$500	Upon second deviation from Standard	These charges are in addition to other remedies available to us.
	\$1,000	Upon third deviation	
	\$2,000	Each additional deviation	
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.
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

Type of Fee (1)	Amount	Due Date	Remarks
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
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.

Type of Fee (1)	Amount	Due Date	Remarks
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

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Product Deposit Fee	\$10,000	Lump sum	Upon signing Franchise Agreement	TEI
Initial Training Fee ⁰	\$3,000	Lump sum	Upon signing Franchise Agreement	TEI
Site Evaluation Expenses ⁰	\$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
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
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
Wal-Mart Security Deposit - 3 months (12)	\$0 or \$3,000	As Arranged	Upon signing the Wal-Mart Sublease Agreement	Us
TOTAL	\$153,500 - \$527,000			

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:

0. Fees payable to Franchisor, are as follows: an initial franchise fee of \$15,000; a training fee of \$3,000; a product deposit fee of \$10,000, or if Franchisee is outside of the state of California the Deposit fee will \$10,000. 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. The Security Deposit of \$3,000 is for 3 months. This charge is assessed under the terms of the Wal-Mart Sublease Agreement attached as Exhibit 3 to the Franchise Agreement.
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, espresso 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. The Equipment cost includes the mandatory equipment purchase from Franchisor of \$17,000.

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. Additional working capital may be needed if sales are low or fixed costs are high. We have prepared these estimates based on our experience in operating a franchising Tapioca Express Stores since 1999.
11. The professional fees are for the services of experienced professionals such as attorney, accountant, and/or financial advisor.
12. You will incur this charge only if you choose to operate a Tapioca Express beverage and food store in a Wal-Mart Store.

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. We are the only approved supplier of Food containers. 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. We are the only approved supplier for these equipment, products, and ingredients for the preparation of certain food.

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.

We are an approved supplier of most items and we reserve the right to designate our Affiliate as an approved supplier and to make a profit from the sale of supplies to you.

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, 2018, we had total revenue of \$3,150,104.00, of which \$2,545,199.00 (or 80%) 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, 2018, we had total revenue of \$3,150,104.00, 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 3 months. If we do not give our written approval within this 3 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. We grant and revoke approval of suppliers through notice to our suppliers and franchisees. 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). We are not required to make available to you or any supplier the criteria for product or supplier approval that we deem confidential.

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.

If your Store is located within a Wal-Mart store, the Master Lease and Appendix-2 to the Master Lease may have different requirements for your insurance. In addition, if your Restaurant is located within a Wal-Mart store, your insurance policies must name Wal-Mart Stores, Inc. as an additional insured, in addition to us.

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
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

Obligation	Section in Franchise Agreement	Disclosure Document Item
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

Obligation	Section in Wal-Mart Master Lease or Sublease	Disclosure Document item
a. Site selection and acquisition/lease	Master Lease – Section 1.4 and Attachment A; Sublease – Section 6	Items 8 and 11
b. Pre-opening purchases/leases	Not applicable	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Master Lease – Section 2.4	Items 1, 7, 8 and 11
d. Initial and ongoing training	Not applicable	Items 6, 7 and 11
e. Opening	Master Lease – Section 2.4	Items 7 and 11
f. Fees	Master Lease – Sections 2.4, 4.1, 4.3, 6.11, 7.2, 10.5, 17.3, 17.4, Appendix 1 and Attachment A Sublease – Section 9	Items 5 and 6
g. Compliance with standards and policies/Manuals	Not applicable	Items 8, 11, 14 and 16
h. Trademarks and proprietary information	Master Lease – Section 6.4	Items 11, 13 and 14
i. Restrictions on products/services offered	Master Lease – Appendix 1	Items 8 and 16
j. Warranty and customer service requirements	Master Lease – Section 6.5	Item 16
k. Territorial development and sales quotas	Not applicable	Item 12
l. Ongoing product/service purchases	Not applicable	Items 8, 11 and 16

Obligation	Section in Wal-Mart Master Lease or Sublease	Disclosure Document item
m. Maintenance, appearance and remodeling requirements	Master Lease – Section 6.2, Article 7	Item 8
n. Insurance	Master Lease – Article 14 Sublease – Section 13	Items 7 and 8
o. Advertising	Master Lease – Section 6.8	Items 6, 8 and 11
p. Indemnification	Master Lease – Article 13	Item 6
q. Owner's participation/ management/staffing	Not applicable	Items 1, 11 and 15
r. Records and reports	Master Lease – Appendix 1	Item 11
s. Inspections and audits	Master Lease – Appendix 1	Items 6 and 11
t. Transfer	Master Lease – Article 10	Items 6, 12 and 17
u. Renewal or extension of rights	Master Lease – Section 3.5 and Attachment A Sublease – Section 4	Items 6, 12 and 17
v. Post-termination obligations	Not applicable	Item 17
w. Non-competition covenants	Not applicable	Item 17
x. Dispute resolution	Master Lease – Section 19.12 Sublease – Section 14	Item 17
y. Liquidated damages	Master Lease – Section 2.4	Item 6

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. If we cannot agree on a proposed site, we may elect to terminate the Franchise Agreement and keep the entire initial franchise fee. 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 the time 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)

We do not provide assistance with conforming the site to local ordinances and building codes, obtaining the permits and licenses for the construction and operation of the Restaurant, completing construction or remodeling, hiring and training your employees.

We estimate that the time from the signing of the Franchise Agreement to the commencement of operations of the Restaurant will be approximately 120 days. This time may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the store, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the store, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the store, including purchasing inventory and supplies. You must open the store and begin business within 120 days after signing the Franchise Agreement, unless You obtain a written extension of this time period from Us. If You do not obtain a site that We approve, and construct the Store within the time periods required in Section 2.5 of the Franchise Agreement, we may terminate the Franchise Agreement.

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.

Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement operating principals and general managers and other personnel needing training, and the timing of the scheduled openings of Tapioca Express Stores generally. It is anticipated that the initial training program will be offered five or six times a year.

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. This training must be completed 30 days prior to the opening of the store. 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 CLASSROOM 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

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
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 will prepare, and furnish to you upon written request, an annual, unaudited statement of funds collected and costs incurred.

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 undertake no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by the Stores operating in that geographic area or that any store will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising. Your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Marketing Fund. 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, 2018, 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.

Advisory Council: We may, in our discretion, form an advisory council to work with us to improve the System, the products offered by Tapioca Express, advertising conducted by the Brand Development Fund, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity, and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council.

If formed, an advisory council will be comprised of our representatives and franchisee representatives. The franchisee representatives may be chosen by us or elected by other franchisees in the System. If you participate on an advisory council, you will pay any expenses you incur related to your participation, such as travel and living expenses to attend council meetings.

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 to the data from your Cash Register System. There are no contractual limitations on our right to access this information. 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 estimated cost of updating, upgrading or support contracts for the Cash Register System with the camera and internet systems can range from \$2500 to \$4000.

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.

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.

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

We 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.

If your Restaurant will be located within a Wal-Mart store, the employees you hire may be subject to Wal-Mart's conditions for employment.

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(1), 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 "i" 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.

Provision	Section in Franchise Agreement	Summary
t. Integration/merger clause	§ 14.20	Only the terms of the Franchise Agreement and other related agreements are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
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.

THE WAL-MART MASTER LEASE

Provision	Section in Master Lease	Summary
a. Term of the lease	Article III, Attachment A	10 year initial term.
b. Renewal or extension of the term	Article III, Attachment A	Two additional 5-year terms
c. Requirements for Tenant to renew or extend	Section 3.5, Attachment A	Give written notice; not be in default; sign new Attachment A
d. Termination by Tenant	Section 7.3(B)(1), Section 17.9	If the landlord must permanently relocate the Restaurant within the Wal-Mart store, and Tenant believes that such relocation will materially impair its operations or if the new area is not of like size or configuration, Tenant may terminate the lease. If landlord defaults and does not cure the default, Tenant may terminate the lease
e. Termination by Landlord without cause	Not Applicable	Not Applicable
f. Termination by Landlord with "cause"	Article XVII	Landlord may terminate on Tenant's default.
g. "Cause" defined—defaults which can be cured	Section 17.1	10 days to cure payment defaults or breach of non-material covenant or obligation

Provision	Section in Master Lease	Summary
h. "Cause" defined – defaults which cannot be cured	Section 17.1	Tenant's insolvency; transfer of interest by operation of law; repeated defaults whether or not cured.
i. Tenant's obligations on termination/non-renewal	Article XVII	Cease operations and remove all fixtures; restore premises to "white box" condition or pay landlord's fees. Tenant remains liable for damages and expenses after termination
j. Assignment of contract by Landlord	Section 10.6	Landlord may transfer its rights without restriction.
k. "Transfer" by Tenant – definition	Section 10.1	Includes transfer, encumbrance or pledge of interest in the lease; transfer by operation of law; permit others to use the premises; transfer more than 50% of shares or unencumbered assets; transfer of shares effecting a change in control
l. Landlord's approval of transfer by Tenant	Section 10.3	Landlord must consent and Tenant must meet conditions before transferring.
m. Conditions for Landlord's approval of transfer	Sections 10.3, 10.4 and 10.5	Request transfer in writing and provide all information required by landlord; payment of transfer premium
n. Landlord's right of first refusal to acquire your business.	Not applicable	
o. Landlord's option to purchase Tenant's business.	Not applicable	
p. Tenant's death or disability	Not applicable	
q. Non-competition covenants during the term of the franchise	Not applicable	
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	
s. Modification of the agreement	Section 19.3	Changes must be agreed to by the parties and executed in writing

Provision	Section in Master Lease	Summary
t. Integration/merger clause	Section 19.3	Only the terms of the Franchise Agreement and other related written agreements are binding. (subject to federal law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not applicable	
v. Choice of forum	Section 19.12	Legal proceedings in California (subject to applicable state law)
w. Choice of law	Section 19.11	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. (subject to applicable state law)

THE SUBLEASE AGREEMENT

Provision	Section in Sublease Agreement	Summary
a. Length of Term	4	You can only renew if we can renew or extend master lease.
b. Renewal or extension of the term	4	You can only renew if we can renew or extend master lease.
c. Requirements for you to renew or extend	4	You must remodel and upgrade the premises.
d. Termination by you	None	Not applicable.
e. Termination by us without cause	None	Not applicable.
f. Termination by us with cause	Section 11	We can only terminate the Sublease if you default.
g. "Cause" defined -- curable defaults	Section 11	Curable defaults include failure to pay rent and violation of any provision of master lease.
h. "Cause" defined -- non-curable defaults	Section 3	Expiration or termination of the Franchise Agreement.

	Provision	Section in Sublease Agreement	Summary
i.	Your obligations on termination/non-renewal	Section 11	Surrender premises and pay our costs resulting from your default.
j.	Assignment of contract by us	Section 7	No restriction on our right to assign.
k.	"Transfer" by you -- defined	Not defined	Not applicable.
l.	Our approval of transfer by you	Section 7	You may not assign your rights without our prior written approval.
m.	Conditions for our approval of transfer	None	Not applicable.
n.	Our right of first refusal to acquire your business	None	Not applicable.
o.	Our option to purchase your business	None	Not applicable.
p.	Your death or disability.	None	Not applicable.
q.	Non-competition covenants during the term of the franchise.	None	Not applicable.
r.	Non-competition covenants after the franchise is terminated or expires.	None	Not applicable.
s.	Modification of the Franchise Agreement	17	No modifications.
t.	Integration/merger clause	17	Only the terms of the Sublease binding (subject to state law). Any other representations or promises made outside the Disclosure Document and Sublease may not be enforceable.
u.	Dispute resolution by arbitration or mediation	None	Except for certain claims, all disputes must be mediated and/or arbitrated.
v.	Choice of forum	None	Legal proceedings in California (subject to applicable state law)
w.	Choice of Law	None	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. (subject to applicable state law)

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, 2016, 2017, 2018

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	44	42	-2
	2017	42	39	-3
	2018	39	39	0
Company Owned	2016	0	0	0
	2017	0	0	0
	2018	0	0	0

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
Total Outlets	2016	44	42	-2
	2017	42	39	-3
	2018	39	39	0

Table 2
Transfer of Outlets from Franchisee to New Owners
(Other than the Franchisor)
For Fiscal Years Ended May 31, 2016, 2017, 2018

Column 1 State	Column 2 Year	Column 3 Number of Transfer
CA	2016	5
	2017	1
	2018	1
Total	2016	5
	2017	1
	2018	1

Table 3
Status of Franchised Outlets
For Years May 31, 2016, 2017, 2018

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	2016	41	2	0	3	0	1	39
	2017	39	0	2	1	0	0	36
	2018	36	1	4	0	0	0	34
NV	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
TX	2016	0	0	0	0	0	0	0

VA	2017	0	0	0	0	0	0	0
	2018	0	2	0	0	0	0	2
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
WA	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Total	2016	44	2	0	3	0	1	42
	2017	42	0	2	1	0	0	39
	2018	39	4	4	0	0	0	39

Table 4
Status of Company-Owned Outlets
For Years May 31, 2016, 2017, 2018

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	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
Total	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0

Table 5
Projected Openings as of May 31, 2018

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	4	2	0
Total	4	2	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 Franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit G are our audited financial statements for the fiscal years ending May 31, 2016, May 31, 2017 and May 31, 2018.

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
Exhibit L	Wal-Mart Master Lease Agreement

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.

<u>CALIFORNIA</u> Department of Business Oversight: 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677 Agent: California Commissioner of Business Oversight 1515 K Street, Suite 200 Sacramento, CA 95814 (916) 445-7205 1350 Front Street San Diego, CA 92101 (619) 525-4233 1 Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559	<u>CONNECTICUT</u> State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent: Banking Commissioner
<u>HAWAII</u> (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	<u>ILLINOIS</u> The Attorney General Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465

<u>INDIANA</u> (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	<u>MARYLAND</u> (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
<u>MICHIGAN</u> (state administrator) Consumer Protection Division Franchise Section Michigan Department of Attorney General 525 W. Ottawa Street, 1st Floor Lansing, Michigan 48933 (517) 335-7567 (for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909	<u>MINNESOTA</u> (state administrator) Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600 (for service of process) Minnesota Commissioner of Commerce
<u>NEW YORK</u> (Administrator) NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8236 Phone (212) 416-6042 Fax (Agent for service of process) Attention: NY Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492	<u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712

<u>OREGON</u> Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4387 Agent: Director of the Department of Consumer and Business Services	<u>RHODE ISLAND</u> Division of Securities Rhode Island Dept. of Business Regulation John O. Pastore Complex – Bldg. 69-1 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9500
<u>SOUTH DAKOTA</u> Division of Insurance Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, South Dakota 57501-3168 (605) 773-3563	<u>VIRGINIA</u> 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
<u>WASHINGTON</u> (state administrator) Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760 (for service of process) Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501	<u>WISCONSIN</u> (state administrator) Division of Securities Department of Financial Institutions 201 W. Washington Ave., 3rd Floor Madison, Wisconsin 53703 (608) 266-1064 (for service of process) Administrator, Division of Securities Department of Financial Institutions 201 W. Washington Ave., 3rd Floor Madison, Wisconsin 53703

Exhibit B to the Disclosure Document

FRANCHISE AGREEMENT

TAPIOCA EXPRESS, INC.
FRANCHISE AGREEMENT

Name of Franchisee

Date of Franchise Agreement

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EXHIBITS

- 1 – Designated Territory
- 2 – State Addendum
- 3 – Form of Sublease (WAL-MART STORE LOCATIONS ONLY)

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 our 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. You 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 (5th) 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 (10th) 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 (10th) 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"). If you are outside the state of California, you will pay a fee of Ten Thousand Dollars (\$10,000). 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 time 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 (5th) 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) (1), 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.

In the event Franchisee's store is to be located within a Wal-Mart store, the policies shall also name Wal-Mart Stores, Inc. as an additional insured.

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 follows:

(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 (10th) 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 (2nd) deviation from Operations Manual in any twelve (12) month period: Five Hundred Dollars (\$500); (b) third (3rd) 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 supersedes 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:

TAPIOCA EXPRESS, INC.
a California corporation

FRANCHISEE:

_____ a _____

By: _____ By: _____
Title: _____ Title: _____

By: _____ By: _____
Title: _____ 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 STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

**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

Witness

TAPIOCA EXPRESS, INC.

By: _____

Name: _____

Title: _____

FRANCHISEE:

Witness

EXHIBIT 3 TO FRANCHISE AGREEMENT

SUBLEASE AGREEMENT

(Only applies to Store located in Wal-Mart Stores)

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: _____
Guarantor

Date: _____
Guarantor

Date: _____
Guarantor

Signature

[Print]

Signature

[Print]

Signature

[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 follows:

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

- I. TAPIOCA EXPRESS SYSTEMS
- II. NEW STORE DEVELOPMENT
 - A. Development Overview
 - What to expect in a typical Tapioca Express Store
 - B. Development Details
 - Basic floor plan
 - Phases of development
 - General contractor
 - Electric
 - Plumbing & gas
 - Landlord's consent
- III. TYPICAL STORE BUDGET
 - A. Budget Explanation
 - B. Typical Store Budget
- IV. ORDERING THE INVENTORY
 - A. Initial Inventory
 - B. Subsequent Operating Inventory
 - Forms
- V. FOOD HANDLING AND PREPARATION
 - A. Food Sanitation
 - B. Sanitation and Housekeeping Procedures
 - C. Manual Item Preparation
 - 1. Drinks
 - 2. Other Items
 - D. Forms
- VI. EQUIPMENT AND OPERATIONS
 - A. Equipment Overview
 - Sources and specifications of equipment, signs, furniture and fixture,
 - B. Front Counter Operation
 - C. Kitchen Operation
 - D. Overall Store Premises Operation
 - E. Opening and Closing Procedures
 - F. Safety and Security
 - G. Inspection
 - By Government
 - Copy of notice be given to us

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
ADDENDUM TO THE TAPIOCA EXPRESS DISCLOSURE DOCUMENT,
AND FRANCHISE AGREEMENT

MULTI-STATE ADDENDUM

CALIFORNIA APPENDIX

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement or Area Development Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement and Area Development Agreement provide 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 and Area Development Agreement contain 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 (*indicate site*) with the costs being borne by (*explanation*). 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 and Area Development Agreement require application of the laws of [*state*]. 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. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

[use if a liquidated damages clause exists]

11. OUR WEBSITE, www:_____.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.
[this statement must be 12-point size per CA Administrative Code §310.156.3]

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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. This amends Articles _____ and _____ of the Franchise Agreement and Section _____ of the Area Development Agreement.

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 _____ for the State of Maryland for _____ Franchise Disclosure Document. The amendments to the Disclosure Document and agreements included in this addendum have been agreed to by the parties.

1. The provision contained in the termination sections of the Franchise Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Item 17 of the Franchise Disclosure Document shall be 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. The appropriate sections of the Franchise Agreement is hereby amended accordingly.

3. The Franchisee Disclosure Acknowledgement Statements are amended to state 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.

4. Item 17 of the Franchise Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise. The appropriate sections of the Franchise Agreement is hereby amended accordingly.

5. Item 17 of the Franchise Disclosure Document and the appropriate sections of the Franchise Agreement is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising 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: Katharyn Barron
525 W. Ottawa Street, 1st Floor
Lansing, Michigan 48933
(517) 335-7567

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 and Area Development Agreement as follows:

1. Item 13 of the Disclosure Document and _____ of 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 Franchisee 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 _____ of 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 _____ of the Franchise Agreement and _____ of the Area Development 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 _____ of the Franchise Agreement and _____ of the Area Development 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. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. _____ of the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

7. _____ of the Franchise Agreement regarding Limitations of Claims is hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

8. Under Minn. Rule 2860.4400J, franchisees cannot be required to waive their rights under RICO. Therefore, _____ of the Franchise Agreement is hereby deleted.

9. 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.

10. 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. Section ____ of the Franchise Agreement is hereby amended accordingly.

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

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

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

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

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

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

You may terminate the agreement on any grounds available by law:

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

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.

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

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

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)

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the Disclosure Document, Franchise Agreement and Multi-Unit Operator Agreement effectively amends and revises said documents as follows:

1. Item 17(c) of the Disclosure Document and Articles 2.5 and 9.3 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, Article 11.4 of the Franchise Agreement are amended accordingly.

3. Item 6 and Item 17(i) of the Disclosure Document and Article 11.7 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages. Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Disclosure Document and Franchise Agreement used in North Dakota.

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

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

6. Item 17(w) of the Disclosure Document, Article 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.

7. 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.

8. The provisions of Article 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.

9. The provisions of Article 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 _____ [FRANCHISOR] _____ 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 Multi-State Addendum dated this _____ day of _____, 20____.

ATTEST

FRANCHISOR

Witness

By: _____
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	12765 Towne Center Dr. J-2	Cerritos	CA	90703	562-860-6528
Sun & J Management. Inc	5408 Walnut Ave. #G	Irvine	CA	92604	949-786-8688
CJ Irvine LLC transferred from Sophie Dilbri, Inc on 8/31/2018	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
Trianship, Inc.	980 E. Las Tunas Dr., #E	San Gabriel	CA	91776	626-285-5066
Thailand Mango	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
Jan Chu, Inc.	1710 N. Milpitas Blvd.	Milpitas	CA	95035	408-946-7280
Du Enterprise Inc	740 Villa St.	Mountain View	CA	94041	650-965-3093
Erivera Enterprise, LLC	8955 Mira Mesa Blvd	San Diego	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
Tapioca 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
BAA Pearl Tea, Inc	2285 McKee Rd.	San Jose	CA	95133	408-729-3000

Corp.	Address	City	State	Zip	Store Phone
Haeyoung Corporation	71808 Baker Blvd.	Baker	CA	92309	760-881-3733
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
Northwest Tea Station, Inc.	22315 Highway 99 Suite A	Edmonds	WA	98026	425-774-6764
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
Northwest Tea Station, Inc.	15230 NE 24 th Street # R	Redmond	WA	98052	425-643-9406
Boba-licious LLC	2611 B Vista Way	Oceanside	CA	92054	760-722-8279
Boba-licious LLC	200 East Barham Drive Suite #201	San Marcos	CA	92078	760-510-1232
Vatapioca Incorporated	6041 Centreville Crest Lane	Centreville	VA	21021	
Tapex-TX Inc	8555 Preston Rd	Frisco	TX	75034	
Tapex-TX Inc	8801 Ohio Dr.	Plano	TX	75024	
Maharlika LLC	3495 Sonoma Blvd.	Vallejo	CA	94590	

Signed but no yet opened as May 31, 2018:

Ur Tea LLC dba Tapioca Express (inside Seafood City Supermarket, non- traditional site) Signed 1/1/2018	6051 Mack Road	Sacramento	CA	95823	
Xpresso Tea LLC dba Tapioca Express signed 5/31/2018	723 E. Huntington Drive	Monrovia	CA	91017	

Souper Ventures signed 5/2/2018	42100 Blacow Road	Fremont	CA	94538	
Boba N Tea signed 3/19/2018	742 Otay Lakes Road,	Chula Vista	CA	91910	

Exhibit K to the Disclosure Document

FRANCHISEES WHO HAVE LEFT THE SYSTEM

FOR FISCAL YEAR 5/31/2018

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
NO VN, Inc.	6821 Stockton Blvd., Suite 100 Sacramento, CA 95823 DOT-4/30/2018	916-391-6800
E. M. Rivera LLC	3910 S. Maryland Pkwy #9 Las Vegas DOT-05/17/2018	720-471-0085
Café Alexander	457 Saratoga Ave. San Jose, CA 95129 DOT-5/22/2018	408-423-9250
BN Thai, Inc.	3033 Bristol St. Costa Mesa, CA 92626 DOT-08/06/2018	714-549-0811
Sophie Dilbri, Inc transferred to CJ Irvine LLC on 8/31/2018	2636 Dupont Dr. #B40 Irvine, CA	

EXHIBIT L TO THE DISCLOSURE DOCUMENT

WAL-MART MASTER LEASE AGREEMENT

MASTER LEASE AGREEMENT

WAL-MART STORES EAST, LP, a Delaware limited partnership, individually and only as to Stores (as defined in Section 1.CC of this Master Lease) owned, leased, or operated in AL, CT, DE, FL, GA, IN, KY, LA, ME, MD, MA, MI, MS, MO, NH, NJ, NM, NY, NC, OH, OK, PA, RI, SC, TN, TX, VT, VA, WI, WV; SAM'S EAST, INC., an Arkansas corporation, individually and only as to Stores owned, leased, or operated in AL, CT, DE, FL, GA, IN, KY, LA, ME, MD, MA, MI, MS, MO, NH, NJ, NM, NY, NC, OH, OK, PA, RI, SC, TN, TX, VT, VA, WI, WV; WAL-MART STORES, INC., a Delaware corporation, individually and only as to Stores owned or leased in AK, AZ, CA, CO, HI, ID, IL, IA, KS, MN, MT, NE, NV, ND, OR, SD, UT, WA, WY; SAM'S WEST, INC., an Arkansas corporation, individually and only as to Stores owned, leased, or operated in AK, AR, AZ, CA, CO, HI, ID, IL, IA, KS, MN, MT, NE, NV, ND, OR, SD, UT, WA, WY; WAL-MART LOUISIANA, LLC, a Delaware limited liability company, individually and only as to Stores owned or leased in Louisiana; WAL-MART STORES TEXAS, LLC, a Delaware limited liability company, individually and only as to Stores owned or leased in Texas; WAL-MART STORES ARKANSAS, LLC, an Arkansas limited liability company, individually and only as to Stores owned or leased in Arkansas; and WAL-MART PUERTO RICO, INC., a Puerto Rico corporation, individually and only as to Stores owned, leased, or operated in Puerto Rico (each Walmart and Sam's Club entity shall collectively be referred to as "Landlord" for purposes of this Master Lease Agreement as it applies to the Store) and Tapioca Express Inc. ("Tenant") enter into this Master Lease effective the 11th day of January, 2017 (the "Effective Date"), which date is the date the last party signs this agreement.

WHEREAS, Landlord operates discount retail stores nationwide;

WHEREAS, Tenant operates fast casual beverage and treat restaurant (described more fully in Appendix-1) and desires to lease space within one or more Stores from which to operate such fast casual beverage and treat restaurant; and

WHEREAS, Landlord desires to lease space in one or more of its Stores to Tenant, so Tenant may operate such fast casual beverage and treat restaurant in the Store.

NOW, THEREFORE, in consideration of the mutual promises and premises set forth above and below, the receipt and sufficiency of which the parties hereby acknowledge, the parties hereby agree as follows:

ARTICLE I
GENERAL PROVISIONS

1.1 Definitions.

- A. **"ACH"** means the electronic process whereby the Landlord debits the bank account of Tenant for payments owed to the Landlord by Tenant using the automated clearinghouse payment system.
- B. **"Affiliate"** means a corporation related to Tenant by shareholdings or any other means of control, a subsidiary of Tenant, Tenant's parent company or a sibling company of Tenant, in each case known to Landlord on the Effective Date.
- C. **"Appendix-1"** means an appendix to this Master Lease, incorporated into this Master Lease when fully signed by Tenant and Landlord, which provides obligations of Landlord and Tenant specific to Tenant's Permitted Uses (as designated in Appendix-1) contemplated by Landlord and Tenant at the time this Master Lease was entered into.
- D. **"Attachment A"** means an attachment to this Master Lease, incorporated into this Master Lease when fully signed by Tenant and by the particular Landlord with authority to lease the Leased Premises identified in the applicable Attachment A. The Attachment A identifies the Store in which the Leased Premises is located, the size of the Leased Premises, the anticipated Delivery Window, the anticipated Delivery Date, the anticipated Rent Commencement Date, the Base Rent and the Percentage Rent, as applicable; and any Extension Option(s).
- E. **"Attachment A-1"** means an attachment to this Master Lease, incorporated into this Master Lease upon the full execution of the applicable Attachment A, depicting the location of the Leased Premises within the Store.
- F. **"Base Rent"** means the amount, if any, set forth as such in the applicable Attachment A.
- G. **"Commencement Notice"** means an attachment to this Master Lease, incorporated into this Master Lease at the time of delivery by Landlord of the Commencement Notice to Tenant in accordance with Section 19.10 below, which identifies the actual Rent Commencement Date and the actual Delivery Date with respect to the applicable Leased Premises.

- H. **"Common Area"** means the public access areas of the Store, including, but not limited to, the parking areas, driveways, sidewalks, entrances, and exits in the Store and between the Store and the Leased Premises.
- I. **"Common Area Maintenance Fee"** means the amount, if any, set forth as such in the applicable Attachment A.
- J. **"Delivery Date"** means the date on which Landlord delivers possession of the applicable Leased Premises to Tenant.
- K. **"Delivery Window"** means the span of time in which Landlord may deliver possession of the Leased Premises to Tenant.
- L. **"Due Date"** means the first (1st) calendar day of each month, unless this day falls on New Year's Day, Memorial Day, Independence Day (US), Labor Day, Thanksgiving, or Christmas, in which case the Due Date means the following business day.
- M. **"Expiration Date"** means 11:59 p.m. (local time as to the applicable Leased Premises) on the last day of the month in which the applicable anniversary date (based upon the number of years in the Lease Term as specified in the applicable Attachment A) of the Rent Commencement Date, designated in the applicable Attachment A, falls. However, if the anniversary date falls between July 1st and December 31st of a given year, then the Expiration Date extends to 11:59 p.m. (local time as to the applicable Leased Premises) on January 31st of the following year. In case of cancellation or termination of this Master Lease with respect to a particular Leased Premises, the Expiration Date becomes the date on which this Master Lease is cancelled or terminated with respect to such Leased Premises.
- N. **"Extension Option"** means the option, if any, of the applicable Landlord and Tenant to extend the Lease Term for each Leased Premises, as set forth in the applicable Attachment A.
- O. **"Grand Opening"** means the first day on which a Store opens for business to the public.
- P. **"Hazardous Substance"** means:
- (i) any hazardous material, hazardous waste, hazardous substance, toxic substance, biomedical waste, infectious waste, medical waste, or toxic

waste identified by any federal or state law; chemical, dust, mixture, medical device, pharmaceutical, or common material capable of causing harm; or solid, liquid, contained gas, sludge, pollutant, asbestos, petroleum product, polychlorinated biphenyls, unused or returned consumer product, or other material, any of which, during the term of this Master Lease, become regulated as a hazardous material, hazardous waste, hazardous substance, toxic waste, or toxic substance; or

(ii) any solid, liquid, contained gas, sludge, pollutant, asbestos, polychlorinated biphenyls, or other material that, during the term of this Master Lease, becomes prohibited or requires special handling or treatment under any applicable law or regulation, including common law.

- Q. **"Hours of Operation"** means the hours that the Leased Premises shall be open as set forth in Attachment A of this Master Lease.
- R. **"Improvements"** means any addition, alteration, construction, finish, or improvement to the Leased Premises; any attachment (including, but not limited to, attachment through the use of drilling) of a permanent fixture, permanent furniture, or permanent equipment; and includes, but is not limited to, completing the interior walls, partitioning(s), floor covering, ceiling work, utilities, painting, finish work, restroom facilities, signage (pursuant to Section 2.6 below), and any other thing necessary for Tenant to obtain a certificate of occupancy for the Leased Premises and operate the same as designated in Paragraph 1 of Appendix-1, Permitted Uses.
- S. **"Insurance Reimbursement Fee"** means the amount, if any, set forth as such in the applicable Attachment A.
- T. **"Key Money"** means the amount, if any, set forth as such in the applicable Attachment A as a one-time, non-refundable fee for the right to operate the Leased Premises within the Store
- U. **"Lease Term"** means, for each Leased Premises, the period commencing on the Rent Commencement Date and ending on the Expiration Date. In the event that the Lease Term of the applicable Leased Premises extends, any reference to the term "Lease Term" includes the period by which the Lease Term extends.
- V. **"Leased Premises"** means the area of a Store leased to Tenant by Landlord subject to the terms and conditions of this Master Lease, as

identified in the applicable Attachment A and further depicted on the applicable Attachment A-1.

- W. **"Leased Premises Improvement Charge"** means the amount, if any, set forth as such in the applicable Attachment A as a one-time, non-refundable charge for Landlord's construction of the Leased Premises to White Box condition.
- X. **"Master Lease"** means this Master Lease and any amendment, appendix, attachment, and exhibit attached to and incorporated into this Master Lease.
- Y. **"Percentage Rent"** means the amount, if any, determined as set forth in the applicable Attachment A.
- Z. **"Rent"** means Base Rent, Percentage Rent, to the extent described in the applicable Attachment A, plus any additional or other rent, interest, tax, or other sum this Master Lease obligates Tenant to pay Landlord, including, without limitation, the Common Area Maintenance Fee, Insurance Reimbursement Fee, the Utility Reimbursement Fee and the Leased Improvement Charge, as applicable.
- AA. **"Rent Commencement Date"** means:
- (1) the Grand Opening, as memorialized in the applicable Commencement Notice and specified in the applicable Attachment A, if the Leased Premises is located in a new, relocated, or expanded Store; or
 - (2) The day specified in the applicable Attachment A, if the Leased Premises is located in a Store currently in operation that has not or will not be relocated or expanded between the time that the Attachment A is executed and the Rent Commencement Date.
- BB. **"Restriction"** means any easement, covenant, condition, law, regulation, land use or other restriction, rule, or other matter binding upon the Leased Premises, Landlord or Tenant or any combination thereof, which acts to prohibit or materially restrict the use of the Leased Premises as contemplated by this Master Lease including, without limitation, the ability of Landlord to lease to Tenant or Tenant's ability to operate the Leased Premises as designated in Paragraph 1 of Appendix-1, Permitted Uses. By way of example, and not of limitation, if Landlord is required to

obtain the consent of a third party prior to leasing space to the Tenant in a particular Store, the requirement of consent is a Restriction.

- CC. **"Store"** or **"Stores"** means one or more of the "Wal-Mart" or "Sam's Club" retail facilities operated by Landlord.
- DD. **"Sublease"** means a written sublease agreement, approved by Landlord in Landlord's sole discretion, between Tenant and a Sublessee, pursuant to which such Sublessee will sublease and operate the applicable Leased Premises as part of a marketing plan or system prescribed by Tenant that is substantially associated with Tenant's trademark, service mark, trade name, logotype, advertising, or other commercial symbol designated by Tenant. The Sublease shall be subject and subordinate to this Master Lease, and shall provide that Sublessee agrees to be bound by all the terms, covenants, and conditions of this Master Lease.
- EE. **"Sublessee"** means a franchisee, licensee, concessionaire or other party of Tenant that has been approved by Landlord, in Landlord's sole discretion.
- FF. **"Tenant's Pro Rata Share"** means the product of a fraction derived from time to time by dividing the gross square foot area of the subject Leased Premises for the period in question by the gross square foot area of the Store containing such Leased Premises for the same period.
- GG. **"Trade Fixtures"** means any attached or unattached, moveable or non-moveable, fixture, furniture, or equipment unique to Tenant's business, the installation and removal of which requires no cutting, drilling, or other defacing of the Leased Premises.
- HH. **"Utility Reimbursement Fee"** means the amount, if any, set forth as such in the applicable Attachment A.
- II. **"White Box"** means the interior condition of the Leased Premises with sprinklers, sheetrock walls, ceiling grid, HVAC installed, electrical service to the Leased Premises, security gate, acoustic ceiling tile, lighting and electrical outlets, and access to water and sewer.

1.2 **Landlord's Entry into the Agreement.**

- A. Each Landlord enters into this Master Lease severally and solely as to the Store it operates and in which the Leased Premises is located and without any obligation with respect to any other Store. Accordingly, only the

respective Landlord that operates the Store in which such Leased Premises is located may execute, for a Leased Premises, an Attachment A.

- B. If, during the term of this Master Lease, it is determined that any Restriction on the use of the Leased Premises exists, Landlord may terminate this Master Lease as to the affected Leased Premises and the Master Lease and applicable Attachment A will be null and void as to such Leased Premises without further action by Landlord or Tenant. Neither Landlord nor Tenant will be liable to the other for any damages, loss, or liability in connection with the termination of this Master Lease as to the affected Leased Premises.

- 1.3 **Landlord's Overlease.** If Landlord is itself a lessee of a Store in which a Leased Premises is located, so that this Master Lease as to the particular Leased Premises is actually a sublease, Landlord will provide to Tenant, upon Tenant's reasonable request, a copy of the overlease under which Landlord holds the Leased Premises as lessee. Tenant accepts this Master Lease subject to all the terms and conditions of such overlease and covenants that it will do no act or thing that would constitute a violation of the overlease.

- 1.4 **Granting Language.** Upon the full execution of the applicable Attachment A, Landlord leases to Tenant and Tenant rents from Landlord (subject and subordinate to any mortgage, deed of trust, other lien and any other matters of record presently existing or hereafter placed upon the applicable Leased Premises, the Common Areas, the Store, or any combination thereof) the Leased Premises identified in the applicable Attachment A and further depicted in the applicable Attachment A-1 to have and to hold subject to the terms of this Master Lease, by which the parties intend to be legally bound as to the applicable Leased Premises upon the execution by each appropriate party of both this Master Lease and the applicable Attachment A.

ARTICLE II

CONSTRUCTION AND ACCEPTANCE OF THE LEASED PREMISES

- 2.1 **Landlord's Obligation to Deliver Possession on the Delivery Date.**

- A. Landlord shall use commercially reasonable efforts to deliver the applicable Leased Premises to Tenant in the condition and during the Delivery Window specified in the applicable Attachment A.

- (1) Unless otherwise agreed to in the applicable Attachment A, Landlord shall notify Tenant, in writing and no later than ten (10)

days prior to the first day of the Delivery Window, of the status of the construction of the applicable Leased Premises and of the anticipated Delivery Date within the Delivery Window on which Landlord estimates it will deliver possession of the applicable Leased Premises to Tenant.

- (2) Landlord, at any time prior to notifying Tenant of the anticipated Delivery Date, may revise the Delivery Window.
- (3) Landlord may revise the anticipated Delivery Date at any time after Landlord notifies Tenant of the anticipated Delivery Date, in accordance with this Article II, but in no event may Landlord revise the anticipated Delivery Date with less than five (5) days notice.

- B. If Landlord is unable, through the use of commercially reasonable efforts, to deliver possession of the applicable Leased Premises to Tenant on the anticipated Delivery Date or within the Delivery Window specified in the applicable Attachment A, subject in all events to causes beyond Landlord's reasonable control, Landlord's delay in delivering possession of the Leased Premises will not constitute a breach of this Lease and Tenant waives any right or remedy it may have, at law or in equity, because of the delay in performance. If Landlord and Tenant mutually agree that delivery of possession is unfeasible within a commercially reasonable amount of time after the Delivery Window specified in the applicable Attachment A, the parties, without liability, may terminate this Master Lease as to the applicable Leased Premises.

2.2 Tenant's Right of Entry.

- A. Prior to the Delivery Date, Tenant may enter the Leased Premises only to inspect and measure the Leased Premises to ready the Leased Premises for opening on the Rent Commencement Date.
- B. Tenant may enter the Leased Premises in accordance with the preceding paragraph only if:
 - (1) Landlord and Tenant have previously signed an Attachment A for the Leased Premises;
 - (2) Tenant does not interfere with Landlord's performance of its obligations under Section 2.1 above, or with the transaction of

Landlord's business or the business of any of Landlord's other Tenants; and

(3) The Leased Premises is not currently in the possession of another tenant.

C. If any work or other action done by, or on behalf of, Tenant results in a stoppage of Landlord's work, Tenant will immediately stop work until such time as the parties mutually agree Tenant's work can re-commence without materially interfering with Landlord's obligations under Section 2.1 above, which time may not be any later than the Delivery Date. Any failure by Tenant to comply with the provisions of this Section 2.2C is a material breach.

2.3 Acceptance of the Leased Premises.

A. Landlord makes no representations, covenants, or warranties of any kind or character whatsoever, express or implied, with respect to:

- (1) The quality, condition, or title of the applicable Leased Premises;
- (2) The suitability of the applicable Leased Premises for any activity and use that the Tenant may conduct in that Leased Premises according to this Master Lease;
- (3) Compliance of the applicable Leased Premises with any applicable law;
- (4) The habitability, merchantability, or fitness for a particular purpose of the applicable Leased Premises;
- (5) The environmental condition of the applicable Leased Premises; or
- (6) Whether Tenant's anticipated or actual use of the Leased Premises complies with the applicable land use restrictions or private limitations.

B. Tenant shall accept possession of the applicable Leased Premises when delivered by Landlord, even if Landlord is unable to deliver possession during the Delivery Window or on the anticipated Delivery Date, unless this Master Lease as to the applicable Leased Premises has been terminated according to Section 2.1.B above.

- C. TENANT WAIVES ALL RIGHTS WITH RESPECT TO ANY DEFECT IN THE LEASED PREMISES OR OTHER CONDITIONS OF THE LEASED PREMISES, AND IF TENANT FAILS TO NOTIFY LANDLORD OF ANY DEFECT AT LEAST SIXTY (60) DAYS AFTER THE DATE OF DELIVERY, TENANT CONCLUSIVELY ACCEPTS THE LEASED PREMISES "AS IS" AND WITH ALL FAULTS.
- D. TENANT WAIVES ALL RIGHTS AGAINST LANDLORD WITH RESPECT TO ANY LIMITATION OR RESTRICTION ON ITS USE OF THE LEASED PREMISES AS A RESULT OF ANY APPLICABLE LAW, RULE, OR REGULATION INCLUDING, WITHOUT LIMITATION, ANY RESTRICTIONS OR PRIVATE LIMITATIONS.

2.4 Tenant's Obligations to Prepare the Leased Premises to Open for Business.

- A. Tenant shall complete all Improvements and install all Trade Fixtures in accordance with this Section 2.4 and in accordance with the plans and specifications previously approved by Landlord in a timely manner, and shall open the Leased Premises on the applicable Rent Commencement Date.
- B. Tenant shall submit to Landlord and obtain Landlord's approval of the floor plans and specifications and layouts of the Leased Premises, including dimensions, elevations, Improvements, intended colors, interior plans, Trade Fixtures and plans and specifications for any proposed rooftop or other mechanical equipment, such approval not to be unreasonably withheld, conditioned or delayed. In addition, once the Tenant's Improvements within the Leased Premises are complete, Tenant shall provide Landlord with photographs of the completed work for its files. This should include as-built plans if they differ from those submitted for initial approval. Photographs should include a front view of the space to include the bulkhead, interior photos of the space and interior offices/rooms, any special improvements like special millwork/cabinetry, and photos of the exterior signage. Such completion documentation is to be provided to the Walmart Project Manager or Leasing team within ten (10) days of Grand Opening.
 - (1) Tenant shall obtain Landlord's approval of the floor plans and layouts of the Leased Premises prior to seeking and obtaining any permits, licenses, certifications, or other documents necessary to complete the Improvements in the Leased Premises and install

Trade Fixtures in the Leased Premises in accordance with this Master Lease.

- (2) Tenant may not vary from or add to the previously approved plans and specifications and layouts without Landlord's prior, written consent, which Landlord may not unreasonably withhold or delay. Landlord's approval of Tenant's plans and specifications is solely based on Landlord's review. Landlord's approval of the plans and specifications and layouts does not represent government approval or suitability of the plans and specifications and layouts for Tenant's intended purposes.
- (3) All Trade Fixtures and Improvements installed must be of high quality materials and workmanship, comparable to or better than the storefront, improvements and trade fixtures used by other retailers in the vicinity of the Store and, specifically, used at Tenant's most recent prototype and must be conducted and installed in a good and workmanlike manner in accordance with all applicable laws and in accordance with obligations and requirements of this Master Lease including, but not limited to, insurance, licensing, and regulatory compliance requirements.
- (4) Prior to any roof penetrations caused by Tenant's Improvements, Tenant shall obtain from Landlord's Leasing Operations Department the contact information for the contractor approved to work on Landlord's roof.
- (5) If Tenant's rooftop heating, ventilating, and air conditioning unit, or other rooftop equipment, requires steel supports in addition to the steel framing erected by Landlord, then Tenant will pay the cost of labor and materials for the installation thereof.
- (6) Mechanical equipment on the roof will be placed within the area designated on Landlord's structural drawings.
- (7) Tenant will provide screening or other type of cover for such mechanical equipment to prevent visibility by the public and subject to approval of Landlord and the local governmental authorities. If Landlord or any governmental authorities require a project standard equipment screen, Tenant will use and pay for same.

- E. Tenant shall construct Improvements and install Trade Fixtures without interfering with other construction in progress at the Store or with the transaction of Landlord's business or the business of any of Landlord's other lessees. Tenant shall repair any damage that results from cutting, drilling or other defacing of the Leased Premises. Additionally, for any Leased Premises for which Improvements are being conducted or Trade Fixtures installed in a Store already open to the public for business, Tenant, prior to commencing Improvements or installing Trade Fixtures, shall erect a dust wall across the entrance to the Store from the Leased Premises. The dust wall required above must keep dust out of the Store and must minimize any noise or other disruption of Store operations but may not be plastic or canvas, and must be maintained in place throughout the construction.
- F. If Landlord requests, Tenant will secure a bond or other security reasonably satisfactory to Landlord against any liens, loss, liability, or damage to persons or property related to the Improvements.
- G. If Tenant fails to open the applicable Leased Premises on the Rent Commencement Date, subject to events beyond Tenant's reasonable control, including Landlord's material interference or default under this Master Lease, Landlord may charge Tenant liquidated damages of ten thousand dollars (\$10,000) and additional liquidated damages of three hundred dollars (\$300) a day for each day, including the Rent Commencement Date, which the Leased Premises remains unopened as required by the terms of this Master Lease. By way of example, and not as a limitation thereof, material interference may occur if Landlord fails to deliver possession to Tenant of the applicable Leased Premises with sufficient time before the Rent Commencement Date for Tenant to fulfill its obligations under this Article II. Tenant will pay any liquidated damages it owes to Landlord within thirty (30) days after Tenant receives an invoice from Landlord for the liquidated damages. Landlord and Tenant acknowledge that it would be impracticable to fix the actual damages suffered by Landlord as a result of Tenant's failure to open the Leased Premises on the Rent Commencement Date, according to this paragraph, and that the amount of liquidated damages described above represents fair and reasonable compensation to Landlord for this failure. If the Leased Premises remains unopened for more than three (3) consecutive days following the Rent Commencement Date, Tenant will materially breach this Master Lease.

2.5 **Tenant's Contractors.** Tenant's contractors must be licensed, carry worker's compensation coverage as required by law, and comply with all applicable laws including, but not limited to, obtaining any required permit, survey (including, without limitation, any asbestos survey), license, or other documentation necessary to perform the construction work in connection with this Master Lease. At Landlord's request, Tenant will provide Landlord with a list of all contractors and subcontractors Tenant is using.

2.6 **Signs.**

- A. Notwithstanding anything to the contrary set forth in this Master Lease or any applicable Attachment A or Appendix 1, Tenant may not install on the exterior of any Store any sign, light, decoration, painting, awning, canopy, or any other identifying mark or like item (collectively, "Signs"). If, however, during the Term of this Lease or any extensions thereof, Landlord amends its signage policy (as may be amended from time to time as determined in Landlord's sole discretion) to allow tenants to install exterior signage, Landlord shall permit Tenant to install an exterior sign in accordance with Landlord's specifications. Tenant understands that Landlord may amend such policy from time to time (as determined in its sole discretion) and that Tenant may be required to subsequently remove such exterior signage upon demand from Landlord. Tenant agrees to promptly remove such exterior signage (at Tenant's sole costs) if requested to do so by Landlord
- B. Tenant may, with the prior, written consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed, and in accordance with Section 2.6.C, install a Sign on the exterior bulkhead of the applicable Leased Premises, which is inside the Store in which a Leased Premises is located, with Tenant's trade name identified in Appendix 1 to this Master Lease and Tenant's logo.
- C. Tenant may not install any Sign containing images or words that may offend the ordinary, reasonable person including, but not limited to, words or images that are cloaked in other words or images, phrases with double meanings, and words or images commonly considered to be vulgar, swear, or curse words. If Tenant's business or trade name violates this provision, Tenant may not use the name in any signage in or around the Leased Premises.

- 2.7 **Landlord's Right of Re Entry.** After the Delivery Date and before the Rent Commencement Date, Landlord may re enter the applicable Leased Premises to continue any portion of Landlord's work not yet complete. During this period of re entry, Landlord may not unreasonably interfere with any work required under Section 2.4 being performed by Tenant or on behalf of Tenant.
- 2.8 **Certificate of Occupancy.** Tenant shall fax a copy of the Certificate of Occupancy within two (2) calendar days after receiving it to Landlord's Project Management at (479) 204-2263.

ARTICLE III

BINDING EFFECT OF ATTACHMENTS A AND A-1, COMMENCEMENT NOTICE MASTER LEASE TERM AND EXTENSION

- 3.1 **Effective Date of Master Lease.** This Master Lease is effective and binds Landlord and Tenant as of the Effective Date. This Master Lease terminates in its entirety upon the termination, for whatever reason, of every Attachment A signed by Landlord and Tenant that attaches to this Master Lease and which is incorporated into this Master Lease.
- 3.2 **Binding Effect of Attachment A.** This Master Lease governs each Leased Premises for which Landlord and Tenant execute an Attachment A. Once signed by both Landlord and Tenant, each Attachment A and A-1 attaches to and incorporates into this Master Lease binding both Landlord and Tenant to the terms and conditions in both this Master Lease and the applicable Attachments A and A-1.
- 3.3 **Commencement Notice.** Within forty-five (45) days following the actual Rent Commencement Date of the applicable Leased Premises, Landlord will deliver the Commencement Notice to Tenant. The Commencement Notice is for informational purposes only and does not modify the terms of this Master Lease. If Tenant does not receive the Commencement Notice within that time, Tenant will notify Landlord, in writing or verbally. Any delay in delivery of the Commencement Notice is not a breach of this Master Lease.
- 3.4 **Lease Term of a Specific Leased Premises.** The Lease Term for each Leased Premises commences on the Rent Commencement Date respecting such Leased Premises and continues until the Expiration Date respecting such Leased Premises.

- 3.5 **Extension of the Lease Term.** The Lease Term for the applicable Leased Premises may extend, subject to the terms and conditions of this Master Lease, as designated in the applicable Attachment A.

ARTICLE IV
RENT, SECURITY & TAXES

- 4.1 **Rent.** Tenant's obligation under this Master Lease to pay Rent, in lawful money of the United States and without, for any reason, deduction or offset, begins on the Rent Commencement Date. Tenant shall pay Rent to Landlord for each Leased Premises for which Landlord and Tenant execute an Attachment A in accordance with the terms of this Master Lease and the applicable Attachment A.
- 4.2 **Base Rent Payments.**
- A. Tenant shall pay Base Rent, as set forth in the applicable Attachment A, to Landlord in advance, without offset, notice, or demand, in equal monthly installments with each monthly installment due by the Due Date. If the Rent Commencement Date occurs other than on the first day of the month, the Base Rent for that month equals one-thirtieth (1/30th) of the normal monthly rent installment for each day starting on the Rent Commencement Date and continuing through midnight on the last day of that month. If the Rent Commencement Date occurs other than the first day of the month, the Base Rent for the final month equals one-thirtieth (1/30th) of the normal monthly rent installment for each day starting on the Rent Commencement Date anniversary and continuing through midnight on the Expiration Date.
- B. Landlord may require Tenant to pay Base Rent on a quarterly basis rather than monthly if Tenant fails to pay Base Rent within ten (10) days of the Due Date for two (2) consecutive months. The quarter will commence on the first day of the month following the month that Landlord notifies Tenant in writing of this election.
- 4.3 **Percentage Rent Payments.** Tenant shall pay Landlord Percentage Rent, if any, without offset, notice, or demand to the extent required in the applicable Attachment A.
- 4.4 **Common Area Maintenance, Utility Reimbursement Fees, and Insurance Reimbursement Fees.** To the extent required in the applicable Attachment A, Tenant shall pay, as additional Rent, the Common Area Maintenance Fee, the Utility Reimbursement Fee, and the Insurance Reimbursement Fee to Landlord

without offset, notice, or demand on a monthly basis by the Due Date, to be paid with Tenant's payment of Base Rent.

4.5 Leased Premises Improvement Charge.

- A. If the Leased Premises for which an Attachment A is signed and attached to the Master Lease by Landlord and Tenant is located in a newly constructed Store (including any Attachment A that is signed and attached to the Master Lease by Landlord and Tenant upon a Store Relocation), Tenant shall pay Landlord the Leased Premises Improvement Charge as described in the applicable Attachment A. Tenant shall submit the Leased Premises Improvement Charge along with payment of the first month's Base Rent.
- B. No Leased Premises Improvement Charge will be assessed against Tenant for a Leased Premises in an existing Store or for a Leased Premises permanently or temporarily relocated in connection with Store Renovations.

4.6 Key Money. Tenant shall pay Landlord Key Money as described in the applicable Attachment A. Tenant shall submit the Key Money along with payment of the first month's Base Rent.

4.7 Interest on Late Payments.

- A. Tenant shall pay to Landlord interest on any balance of Rent unpaid more than ten (10) days following the Due Date at the prorated rate, based on a thirty (30) day month, of the lesser of:
 - (1) Five percent (5%) per annum, or
 - (2) The maximum amount allowed by law.
- B. Any interest due under this provision is additional Rent, and Tenant shall pay it in full no later than the day on which it pays the unpaid balance of Rent unless demanded earlier by Landlord. Interest will not accrue on any unpaid balance of Rent if:
 - (1) The unpaid balance is due to an error or problem with the automatic debit, if Tenant is paying Rent through an automated clearinghouse account, and
 - (2) The error or problem was not due to the intentional or negligent act of Tenant.

4.8 Security Deposit.

- A. Tenant shall deliver to Landlord, no later than ten (10) days following Tenant signing the applicable Attachment A, an amount equal to the sum designated in the applicable Attachment A, as security for the faithful performance and observance of the terms and conditions of this Master Lease by Tenant and its agents, employees, and representatives (the "Security").
- B. Tenant may provide Security in the form of a security deposit or a duly executed surety bond from a reputable company satisfactory to Landlord and in full force and effect when delivered to Landlord.
- C. Landlord may apply, retain, or use (at its sole option) the whole or any part of the Security to the extent required for payment of:
 - (1) Rent;
 - (2) Other sums that Tenant is obligated to pay Landlord under this Master Lease;
 - (3) Sums that Landlord may expend or may be required to expend by reason of Tenant's breach of this Master Lease;
 - (4) Loss or damage that Landlord suffers by reason of Tenant's breach of this Master Lease including, but not limited to, any damages incurred by Landlord or deficiency resulting from the re-letting of the Leased Premises, whether such damages or deficiency accrues before or after summary proceedings or other re entry by Landlord; or
 - (5) Costs Landlord incurs in connection with the cleaning or repair of the Leased Premises after the expiration or earlier termination of this Master Lease as to the applicable Leased Premises.
- D. Landlord is not obligated to apply, retain, or use the Security, and any payment of the security deposit in no way relieves Tenant of its obligations under this Master Lease to pay Rent or other charges.
- E. Landlord's right to bring an action or special proceeding to recover damages, or otherwise obtain possession of the applicable Leased Premises, before or after Landlord's delivery of notice to Tenant of the termination of this Master Lease as to the applicable Leased Premises for

non-payment of Rent, or for any other reason, is not effected because Landlord holds the Security.

- F. The Security does not limit Landlord's available rights and remedies under this Master Lease, at law, or in equity nor is it a payment of liquidated damages.
- G. Tenant, no more than fifteen (15) days following Landlord's notice to Tenant, shall replace the Security when payments by the Security equal or exceed the sum of the security deposit. Failure to timely replace the Security is a material breach of this Master Lease.
- H. Except as required by applicable law, Landlord is not required to keep security deposits separate from Landlord's own funds and may commingle security deposits with its own funds.
- I. If Tenant fully and faithfully complies with all the terms and conditions of this Master Lease, Landlord will return to Tenant any part of the security deposit that Landlord does not apply, retain, or use in accordance with this Section no later than thirty (30) days following Tenant fully discharging all of its obligations under this Master Lease, unless applicable law requires a shorter or extended time.

4.9 Taxes.

- A. Landlord shall initially pay all General Taxes levied, during each fiscal tax year, against the Store, the Common Area, or both, subject to Tenant's reimbursement obligations set forth below. "General Taxes" mean all general real estate taxes, general and special assessments; parking surcharges; fees; and other governmental charges and any costs Landlord incurs contesting any of the above.
- B. In addition to Tenant's reimbursement obligations set forth below and any other obligations of Tenant under this Master Lease, Tenant shall pay all taxes and assessments:
 - (1) Levied against any improvements located within or upon any Leased Premises, and any of Tenant's inventory, personal property, and Trade Fixtures;
 - (2) Assessed, imposed, or levied against Landlord in relation to either Landlord's interest in this Master Lease or the Rent or other charges

required under this Master Lease including, but not limited to, increases or additional, special, regular, unforeseen, foreseen, extraordinary, or ordinary, taxes and assessments, whether occurring wholly or partially during the Lease Term of the specific Leased Premises from which the taxes or assessments arise;

- (3) For increases, that are billed or assessed during the Lease Term that are attributable to Tenant's Improvements or occupancy of the Leased Premises; and
- (4) Imposed against Landlord because of Landlord's interest in this Master Lease as a substitute, or in lieu of, in whole or in part, for any general taxes or other real estate tax or assessment.

C. Tenant shall reimburse Landlord, upon demand, for Tenant's Pro Rata Share of general taxes assessed or levied during the Lease Term, as prorated to account for any period of partial occupancy of the applicable Leased Premises, and for any other tax, assessment, or excise that was imposed, assessed, or levied against Landlord that Landlord paid but for which Tenant is primarily liable under this Master Lease.

ARTICLE V

UTILITIES

5.1 **Utilities.** Except as otherwise provided in this Master Lease or the applicable Attachment A, Landlord shall pay for all public utilities furnished to the Leased Premises and shall reasonably cool, heat, and light and provide water and sanitary sewerage services to the building in which the Leased Premises is located. Landlord is not liable for any interruption whatsoever to the public utilities, the lighting, the cooling, the heating, the water, or the sanitary sewerage services if any of the preceding are interrupted:

- A. Due to equipment failure, fire, accident, strike, acts of God, or other causes beyond the reasonable control of Landlord; or
- B. In connection with Store Renovations or to repair the Store or the Leased Premises.

5.2 **Telephone Service.** Tenant shall pay for telephone service in the Leased Premises. **The use of a cordless phone within a Leased Premises is strictly prohibited.**

ARTICLE VI
USE AND OPERATION

6.1 **Use.** Tenant shall use the Leased Premises as designated in Section 1 of Appendix 1, Permitted Uses, subject to applicable legal requirements, and for no other purpose without the prior, written consent of Landlord.

6.2 **Continuous Operation.**

A. Tenant, other than as expressly permitted by this Master Lease, and during the applicable Lease Term, shall operate the applicable Leased Premises continuously during the Hours of Operation designated in Attachment A in accordance with the Permitted Uses designated in Appendix 1 and the terms and provisions of this Master Lease.

B. Tenant, other than as expressly permitted by this Master Lease, shall not vacate the applicable Leased Premises during the applicable Lease Term or cease operations in the applicable Leased Premises and shall conduct its business, at a minimum, in an efficient, first-rate, and reputable manner.

C. Other than closing the Leased Premises to repair, update, and upgrade the Trade Fixtures, the Improvements, and the Leased Premises in accordance with Section 7.3.B below, Tenant may close the applicable Leased Premises for repair or renovation only with the prior, written consent of Landlord, which Landlord may not unreasonably withhold, condition or delay.

D. Failure to comply with this provision or any representation by Tenant that during the applicable Lease Term the Tenant, or one of its Sublessees, will not comply with this provision or will vacate the applicable Leased Premises materially breaches this Master Lease. In addition to (and not in lieu of) any remedies that Landlord may have under this Master Lease for a breach of this section, Landlord may charge Tenant, in addition to rent, liquidated damages of three hundred dollars (\$300) a day for each day, which the applicable Leased Premises remains closed and not operating, excluding any reasonable period for renovation or repair of the Leased Premises approved by Landlord or during any reasonable period in which the Leased Premises remain closed and not operating due to acts or omissions of Landlord which require closure of the Leased Premises.

6.3 **Hours of Operation.** Tenant shall post its Hours of Operation in a conspicuous location within the Leased Premises, subject to and in accordance with the

requirements set forth in Article II (Construction and Acceptance of the Leased Premises), Section 2.6 above.

6.4 **Trade Name.** During the term of this Master Lease, Tenant shall conduct its business under the name designated as Tenant's Trade Name in Appendix 1 and under no other name without the prior written consent of Landlord, which, consent shall not be unreasonably withheld, conditioned or delayed.

A. Tenant acknowledges that Landlord relied on Tenant's business reputation and associated trade name as a significant material inducement in Landlord's decision to execute this Master Lease, and therefore, Tenant hereby warrants that Tenant has the right to use the trade name and all logos, trade dress, slogans, and all other identifying marks used by Tenant at the Leased Premises.

B. Failure to comply with this Section 6.4 is a material breach of this Master Lease.

6.5 **Customer Service.**

A. Tenant shall operate the Leased Premises in conformity with Landlord's reputation as the operator of discount retail stores dedicated to customer satisfaction and prompt quality customer service featuring a broad assortment of quality merchandise at low, competitive prices.

B. Tenant, at its sole cost and expense, shall post, in a conspicuous location that customers can see when the Leased Premises is open and when the Leased Premises is closed, a telephone number and an address for customers to contact. The telephone number must be either toll free or a number local to the applicable Leased Premises.

6.6 **Window Display Lights.** Tenant shall keep, during the Hours of Operation, any display windows in the Leased Premises neat and attractive.

6.7 **Mail & Deliveries.** Landlord does not guaranty any mail or deliveries to the Leased Premises and recommends Tenant arrange to receive mail or deliveries at an alternate location. Any mail or deliveries to and from the Leased Premises must be done only at such times and in the areas and through the entrances designated for such purpose by Landlord. Any mail or delivery left with the Store is done at Tenant's sole risk. All property kept, stored, or maintained on the Leased Premises by Tenant is at Tenant's sole risk.

6.8 **Tenant's Advertising, Promotion, and Media Inquiries:**

- A. Tenant may use Landlord's name only to the extent Landlord's Leasing Operations Department approves and only as a location reference.
- B. Tenant may not promote its services within the Store using Landlord's in-store public address system.
- C. Tenant may not post any Signs outside of the Leased Premises, except as provided in Section 2.6.B above, or post any handmade signs inside or outside of the Leased Premises.
- D. Tenant's promotions related to the Leased Premises must be conducted in a professional manner by trained individuals.
- E. Tenant may not release or cause to be released any statement to the press or otherwise containing Landlord's name or representing any relationship whatsoever to Landlord, without the prior, written approval of the Wal-Mart Leasing Operations Department.
- F. Tenant agrees that it will not, within the Leased Premises or anywhere else in the Store, advertise, market, or promote any Competing Business. For purposes of this paragraph, "Competing Business" means any retail business involved in the sale of any products or services sold from within the Store or by any affiliate, parent company, or subsidiary of Landlord.

6.9 **Restrictive Covenants.** Tenant shall comply with and observe any easement, covenant, or restriction that affects or applies to the Leased Premises and the Common Area.

6.10 **Restrictions on Tenant's Activities.** In addition to any easement, covenant, or restriction that affects or applies to the Leased Premises or the Common Area, Tenant, and its Sublessees, shall not:

- A. Use the sidewalk adjacent to or any other space outside the Leased Premises for display, sale, or any other similar undertaking.
- B. Use a loudspeaker system that may be heard from outside the Leased Premises; place or permit any radio, television, loudspeaker, or amplifier on the roof, inside the Leased Premises, or anywhere that the radio, television, loudspeaker, or amplifier can be seen or heard from outside of the Leased Premises; or solicit or distribute any handbills or other

advertising in the parking lot, Store, or Common Areas, unless otherwise protected by law.

- C. Use the plumbing facilities of the Leased Premises or the Store for any purpose other than that for which they were constructed. Neither Tenant nor its Sublessees, nor the invitees of either Tenant or its Sublessees, may use the plumbing facilities of the Leased Premises to dispose of any foreign substances. The expense of any breakage, stoppage, or damage resulting from a breach of this Section will be borne by Tenant.
- D. Place on any floor a load that exceeds the load per square foot that the floor was designed to carry. Tenant may only install, operate, and maintain heavy equipment in the Leased Premises if installed in such manner as to achieve a proper distribution of weight.
- E. Use any forklift, truck, tow truck, or any other machine or equipment in the Store, in the Common Areas, or on any of the underlying ground, unless necessary to complete Tenant's obligations under Article II (Construction and Acceptance of the Leased Premises), Section 2.4 above or unless otherwise agreed to in Appendix 1.
- F. Use the Leased Premises to conduct illegal business or for illegal purposes or for any purpose that may increase the premium cost of or invalidate any insurance policy carried on the Leased Premises, Common Areas, or the Store. If insurance premiums for insurance policies carried on the Leased Premises, Common Areas, or the Store increase in connection with Tenant's use of the Leased Premises, Tenant will reimburse Landlord for the increase.
- G. Unreasonably interfere with Landlord's business or the business of another tenant of Landlord or act in such a way that reasonably may be expected to injure Landlord's business relationship including, but not limited to, acting in any way that diminishes the access to or the visibility of any portion of the Store or any other tenant's premises or that impedes the free circulation of customer traffic within the Store.
- H. Receive, retain, or store in the Leased Premises any "Controlled Substances" except for any Controlled Substances included in an emergency medical kit. For the purposes of this Master Lease, "controlled substances" means materials containing any quantity of a substance with a stimulant, depressant or hallucinogenic effect on the higher functions of the central nervous system, and having the tendency to promote abuse or

physiological or psychological dependence, as designated in state and federal controlled substance schedules including, but not limited to, those listed in Schedules I through V of the Controlled Substances Act, 21 U.S.C. §812, as may be amended from time to time. Failure to comply with this Section is a material breach.

- I. Within the Leased Premises, receive, retain, store, or use any firearm, tear gas, mace, pepper spray, dye pack, or any item similar to a firearm, tear gas, or dye pack.

6.11 **Encumbrances and Liens.** Tenant may not cause any encumbrance to attach to or upon the Leased Premises, the Store, the Common Area, the land underlying any of the foregoing, or Tenant's interest in this Master Lease because of any act or omission of Tenant, its contractors, agents, employees, or representatives. Failure to discharge or bond/insure over any encumbrance within fifteen (15) business days following its filing is a material breach. In addition to any right or remedy Landlord may have for the material breach, Landlord may bond or pay the encumbrance for Tenant's account without inquiring into the validity of the encumbrance. If Landlord elects to pay the encumbrance, Tenant will reimburse Landlord, upon demand by Landlord, the amount Landlord paid, plus an additional ten percent (10%) administrative fee, plus interest. Interest will accrue at the lesser of one percent (1%) and five percent (5%) per annum or the maximum amount allowed by law beginning on the day Landlord bonds or pays the encumbrance and continuing until Tenant reimburses Landlord the entire amount Landlord paid, plus the administrative fee and any interest accrued.

6.12 **Performance Covenants.** Commencing on the second anniversary of the Rent Commencement Date and on each anniversary of the Rent Commencement Date thereafter during the Lease Term, Tenant shall satisfy the performance covenants set forth in the applicable Attachment A for each Leased Premises subject to this Master Lease (the "Performance Covenants"). Tenant's failure to satisfy the Performance Covenants with respect to a particular Leased Premises for any calendar year shall constitute a material breach of this Master Lease. In such event, Landlord will have all rights and remedies available to it under Article XVII of this Master Lease, including, without limitation, the right to terminate this Master Lease pursuant to Article XVII (Default, Termination, Surrender & Tenant's Liability), Section 17.2 below; provided, that notwithstanding anything herein to the contrary, in the event Landlord elects to terminate this Master Lease as to such Leased Premises, such termination (a) shall apply only as to such Leased Premises and not to this Master Lease in its entirety; and (b) shall occur upon sixty (60) days prior written notice to Tenant unless Landlord elects to wait

to terminate this Master Lease until after it re-lets the Leased Premises in accordance with Article XVII (Default, Termination, Surrender & Tenant's Liability), Section 17.2.

ARTICLE VII

REPAIRS & MAINTENANCE

7.1 Repairs by Landlord.

- A. Subject to the provisions of Article XI (Casualty) and Article XII (Condemnation & Eminent Domain), Landlord shall maintain the Store in good order and make all necessary repairs in the Leased Premises to the foundation, gutter, spouts, exterior walls, interior load-bearing walls, door, door closure devices, exterior openings, gates, and gate closure devices and to the roof and HVAC, except as provided in Section 7.2 below. Tenant shall notify Wal-Mart Maintenance of any necessary or requested repairs by calling the Wal-Mart Maintenance Hotline at (479) 273-4747 or any other communication medium utilized by Wal-Mart to process the reporting of repairs. Tenant must have the work order number provided by the Wal-Mart Maintenance Hotline at the time the repair is reported in order to check on the status of the repair.
- B. Tenant shall reimburse Landlord for any repairs necessitated by the intentional acts or negligence of Tenant or Sublessee or the agent, customer, employee, or representative of either. Any reimbursement required in the preceding sentence must be made no later than thirty (30) calendar days after Landlord's written demand for reimbursement from Tenant.
- C. Landlord does not breach its obligations under Section 7.1.A above until a reasonable amount of time passes after Tenant notifies Wal-Mart Maintenance, according to Section 7.1.A above, of the needed repair, except in the case of an emergency which will require Landlord to commence repairs within twenty-four (24) hours of such Tenant notification to Wal-Mart Maintenance. Rent will not abate during this time or while any repairs are being made, and Landlord will not be liable to Tenant or Sublessee due to loss or interruption of Tenant's business because of the prosecution of the repair except in the case of Landlord's gross negligence or intentional misconduct.

- D. Notwithstanding the foregoing, in the event of an emergency, which threatens to damage any of Tenant's Improvements or Trade Fixtures or interrupts Tenant's ability to operate its business in the Leased Premises, Tenant shall notify Wal-Mart Maintenance immediately and, upon the consent of Wal-Mart Maintenance, Tenant will have the right to make immediate repairs. In such case, Landlord will reimburse Tenant for the reasonable cost of such repairs within thirty (30) days of Landlord's receipt of Tenant's written request for reimbursement, along with invoices and such other supporting documentation as Landlord may reasonably require.

7.2 Tenant's Repairs, Maintenance, Handling Hazardous Substances.

- A. Except those items to be maintained by Landlord pursuant to the terms of this Master Lease, Tenant, at its sole cost and expense, shall maintain the Leased Premises in compliance with applicable law and in good order and condition, ordinary wear and tear excepted. Tenant shall effect, at Tenant's sole cost and expense and according to applicable law, all repairs to the Leased Premises (except for those specifically enumerated in Section 7.1 above) that are commercially necessary or desirable to maintain the Leased Premises in a safe, dry, and tenantable condition including, without limitation, repairs to:
- (1) Any portion of the pipes, lines, ducts, wires, or conduits, used solely by Tenant;
 - (2) Plate glass, windows, doorframes, and special storefronts that serve Tenant solely;
 - (3) Molding, locks and hardware, lighting, plumbing, Trade Fixtures, Signs, and interior painting and treatment; and
 - (4) Any Improvements or Trade Fixtures installed in the Leased Premises, including any rooftop heating, ventilation, or air-conditioning unit or other rooftop equipment. Any repairs to the rooftop heating, ventilating, and air-conditioning unit or other rooftop equipment must be made by a Landlord approved contractor.
- B. Tenant, at no expense to Landlord, shall handle, manage, store, transport, and dispose of all Hazardous Substances created by Tenant, its Sublessees, agents, employees or representatives in any process, action, or inaction in

connection with the Leased Premises and in accordance with all applicable federal, state and local laws and regulations. Tenant shall not use any of Landlord's property or equipment in using, handling, managing, storing, transporting, and disposing of Hazardous Substances. Evidence of Tenant's compliance with all applicable federal, state and local laws concerning the use, handling, management, storage, transportation, and disposal of Hazardous Substances must be provided to Landlord upon Landlord's request.

- C. Tenant, at no expense to Landlord, shall maintain the Leased Premises in a clean and sanitary condition, free from debris or offensive odor, and in compliance with all laws affecting the Leased Premises, Tenant's use of the Leased Premises, or Tenant's business.
- (1) Tenant shall not allow the accumulation or burning of any rubbish or garbage in, on, or about the Leased Premises and shall keep all entrances, doors, or loading areas in the Leased Premises or immediately adjoining the Leased Premises free from trash, litter, or other obstruction.
 - (2) Tenant shall bear the expense of garbage and rubbish collection and disposal. If Landlord's Leasing Operations Department permits Tenant to use any part of the Store (other than the Leased Premises), Common Area, or land underlying the foregoing to store garbage and refuse generated by Tenant's use of the Leased Premises, Tenant and its Sublessees, at the expense of Tenant or its Sublessee, will keep all such garbage and refuse in the location designated by Landlord and in the kind of container, including the use of interior refrigerated garbage containers and compactors, Landlord specifies in its commercially reasonable opinion.
 - (3) Tenant will maintain air pressure in the Leased Premises necessary to keep offensive odors from emanating from the Leased Premises.
 - (4) Any odor producing function of Tenant's operations must be mechanically vented to the exterior of the Store and the Leased Premises to eliminate the dissipation of such odors into the Store or into the interior or exterior of any other tenant's space. Exhaust hoods may not project above the roof deck higher than that allowed by local governmental authorities or code requirements.

- (5) At Landlord's written request, Tenant will install any equipment or procedures necessary to comply with Section 7.2.C.(3) and Section 7.2.C.(4). If Tenant fails to comply with Landlord's request, within twenty (20) days after receiving notice, Landlord may take remedial action for Tenant, and Tenant will pay, as additional Rent, the cost of such remedial action plus an administrative charge of ten percent (10%) of the cost thereof.
- D. If Tenant fails to commence, and thereafter pursue diligently any repairs required by this Section 7.2 within ten (10) days of receiving notice from Landlord of the repair, Landlord may repair the Leased Premises as necessary to maintain it in a good, clean, safe, dry, and tenantable condition. If Landlord makes such repair, Tenant will reimburse Landlord for its costs, plus an additional ten percent (10%) administrative fee when Tenant pays the next month's Rent.

7.3 Store Relocation, Renovation and Closing.

- A. Landlord, from time to time, may relocate the Store to another physical address (a "Store Relocation"). In the event of a Store Relocation, Landlord, in its reasonable discretion, may terminate this Master Lease and related Attachment A as to the applicable Leased Premises. In the event such termination occurs during the first five (5) years of the Lease Term for the applicable Leased Premises, Landlord will reimburse Tenant for the unamortized portion of the cost of Tenant's initial Improvements to the particular Leased Premises, calculated on a straight line depreciation basis over five (5) years, not to exceed fifty thousand dollars (\$50,000) (the "Unamortized Improvement Costs"). Landlord will not be liable for any other cost or expense of Tenant ceasing operations in the applicable Leased Premises. Landlord and Tenant may mutually agree to enter into a new Attachment A for the new location of the Store or any other Store. If Landlord and Tenant enter into a new Attachment A for the new location of the Store or any other Store, Tenant will bear all costs and expenses incurred in relocating to the new location of the Store or to any other Store. Tenant will also repair, update, and upgrade all Trade Fixtures and Improvements to the Leased Premises and ready the newly located Leased Premises to be open for business to the public for the Store's Grand Opening as required by this Master Lease. Landlord must first approve all repairs, updates, and upgrades to the Leased Premises, such approval not to be unreasonably withheld.

B. Landlord, from time to time, may remodel, re-arrange, renovate, or expand (collectively and individually "Store Renovations") the Store, without relocating the Store to another physical address. During Store Renovations, Tenant will repair, update, and upgrade the Trade Fixtures, the Improvements and the Leased Premises unless Tenant repaired, updated, and upgraded the Trade Fixtures, the Improvements and the Leased Premises within the three (3) consecutive preceding years. All repairs, updates, and upgrades Tenant contemplates must be previously approved by Landlord, which approval will not be unreasonably withheld, conditioned or delayed.

(1) In connection with any Store Renovations, Landlord may temporarily or permanently relocate Tenant to another location within the Store that is of like size and configuration as the Leased Premises and is in a reasonable condition from which Tenant may operate if Landlord, in its commercially reasonable judgment, determines the relocation necessary to complete Store Renovations. Landlord will bear the cost of moving Tenant's Trade Fixtures in the event of a temporary relocation, but Landlord is not responsible for any expense associated with Tenant's repairs, updates, and upgrades of the relocated Leased Premises, whether the relocation is temporary or permanent. If the relocation is of a permanent nature and Tenant reasonably determines that the new location will materially impair its operations in the applicable Leased Premises or is not of like size and configuration as the original Leased Premises, Tenant may terminate this Master Lease as to the applicable Leased Premises by providing written notice to Landlord. If the relocation is temporary and Tenant reasonably determines that the new location of the Leased Premises will materially impair its business or that the Store Renovations are materially impairing its operations in the Leased Premises, Tenant may, with Landlord's written consent, not to be unreasonably withheld, conditioned or delayed, close the applicable Leased Premises until Landlord and Tenant agree that the Store Renovations no longer impair the operations of the applicable Leased Premises.

(2) If, in connection with the Store Renovations, Landlord closes the Store for more than three (3) consecutive days, Tenant may, with Landlord's written consent, not to be unreasonably withheld, conditioned or delayed, either close the applicable Leased

Premises while the Store is closed in connection with the Store Renovations and conduct the repairs, updates, and upgrades of the Leased Premises as required by this Section 7.3.B or terminate this Master Lease as to the applicable Leased Premises.

- (3) If, in connection with Store Renovations, Landlord determines (in its sole discretion) that there will not be space available for Tenant upon completion of the Store Renovations, Landlord may terminate this Master Lease and related Attachment A as to the applicable Leased Premises. In the event such termination occurs during the first five (5) years of the Lease Term for the applicable Leased Premises, Landlord will reimburse Tenant for the unamortized portion of the cost of Tenant's initial Improvements to the particular Leased Premises, calculated on a straight line depreciation basis over five years, not to exceed fifty thousand dollars (\$50,000). Landlord will not be liable for any other cost or expense of Tenant ceasing operations in the applicable Leased Premises.
- C. If the Leased Premises closes in accordance with this Section 7.3, Rent due during the time in which the Leased Premises is closed will abate. The Leased Premises must re-open once the Store Renovations and the operations of the Leased Premises no longer materially impair each other, as determined by mutual agreement of the parties.
 - D. If a Store in which the applicable Leased Premises is located permanently ceases to be open for business to the public, and not as a part of a relocation as contemplated by Section 7.3.A above (a "Store Closing"), this Master Lease as to the applicable Leased Premises will terminate on a date mutually agreed to by Landlord and Tenant, but at no time may such date extend past the actual Store Closing date. In the event such termination occurs during the first five (5) years of the Lease Term for the applicable Leased Premises, Landlord will reimburse Tenant for the unamortized portion of the cost of Tenant's initial Improvements to the particular Leased Premises, calculated on a straight line depreciation basis over five (5) years, not to exceed fifty thousand dollars (\$50,000). Landlord will not be liable for any other cost or expense of Tenant ceasing operations in the applicable Leased Premises.

ARTICLE VIII
COMPLIANCE WITH LAW & OTHER REQUIREMENTS

8.1 **Rules and Regulations.** Tenant shall observe all rules and regulations established from time to time by Landlord upon notice to Tenant, through publication in the Landlord/Tenant Handbook or otherwise, including, but not limited to:

A. Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, should remove immediately from the Store any merchandise purchased from Landlord.

- (1) Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, may not bring into the Leased Premises any merchandise purchased from Landlord unless the merchandise is purchased for use by Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, in the operation of its business in the Leased Premises or unless the merchandise is purchased for immediate consumption by Tenant, or its Sublessee, or any agent, employee, or representative of either Tenant or Sublessee.
- (2) Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, must keep a receipt for the merchandise purchased with the merchandise at all times while the merchandise is in either the Leased Premises or the Store.
- (3) No merchandise for which Tenant or Sublessee, or any agent, employee, or representative of either Tenant or Sublessee, has not paid may be removed from the Store or brought into the Leased Premises.
- (4) Any purchase by Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, is subject to search according to Landlord's security procedures applicable to other customers of Landlord. Anyone removing, or involved in the removal of, merchandise, either from the Store or into the Leased Premises, without first paying for the merchandise may be evicted from the Store or all of Landlord's property, may be treated as a shoplifter, or both. Shoplifters may be subject to prosecution.

- B. Each of Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, shall conduct him or herself while in the Store or in the Leased Premises in a professional and courteous manner, appropriately attired, trained, and groomed, and in accordance with commercially reasonable standards in Tenant's industry.
- C. Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, shall abide by Landlord's procedures in responding to media inquiries as such inquiries relate to the Leased Premises, Landlord, or any relationship between Tenant and Landlord.

8.2 Compliance.

- A. Tenant, in its use, occupancy and operation of the Leased Premises, shall comply with all federal, state, and local laws, rules, orders, directives, and regulations.
- B. Landlord has absolutely no responsibility, obligation, or liability for Tenant's hiring and other employment practices. Tenant warrants and represents that it has a policy to:
 - (1) Comply in all respects with all immigration laws and regulations;
 - (2) Properly maintain all records required by the United States Citizenship and Immigration Services (the "USCIS") including, without limitation, the completion and maintenance of the Form I-9 for each party's employees;
 - (3) Respond in a timely fashion to any inspection requests related to such I-9 Forms;
 - (4) Cooperate fully in all respects with any audit, inquiry, inspection, or investigation the USCIS may conduct of such party or any of Tenant's employees;
 - (5) Conduct annual audit of the I-9 Forms for its employees;
 - (6) Promptly correct any defects or deficiencies the audit reveals; and
 - (7) Require all subcontractors performing any work for Tenant to comply with the covenants set forth in this Section 8.2.B.

C. Tenant shall comply with the provisions of the Americans with Disabilities Act ("ADA") as it relates to its operation of the Leased Premises.

- (1) If, after Landlord delivers to Tenant the applicable Leased Premises, the presence of any ADA violation on the applicable Leased Premises requires remedial work on the Leased Premises and such ADA violation was not caused by Landlord's actions or failure to act as required with respect to Store (other than the Leased Premises), Tenant will promptly take all actions at its sole expense as are required by any federal, state, or local government agency or political subdivision to comply with the ADA; provided that Landlord's consent to such actions is first obtained, which consent Landlord may not unreasonably withhold, condition or delay.
- (2) In addition to Tenant's obligations under Article XIII (Indemnity and Liability), Tenant shall indemnify, defend and hold harmless the Indemnitees from any Claim including, without limitation, diminution in value of the Leased Premises, damages for the loss or restriction of use of rentable or usable space or of any amenity of the Leased Premises, damages arising from any adverse impact on marketing of space of the Leased Premises, and sums paid in settlement of claims, attorney's fees, consultation fees and expert fees arising during or after the applicable Lease Term as a result of such violation. Tenant's obligations in the preceding sentence include, without limitation, costs incurred in connection with any investigation of site conditions or any remedial work required by any federal, state, or local government agency or political subdivision because of any ADA violation present on or about the Leased Premises not caused by Landlord's actions or failure to act as required with respect to the Store (other than the Leased Premises).
- (3) If, after Landlord delivers to Tenant the applicable Leased Premises, the presence of any ADA violation exists in the Store (other than the Leased Premises) which requires remedial work on the Leased Premises, Landlord, at its sole cost and expense, will take all necessary actions required by any federal, state or local government agency or political subdivision to comply with the ADA.

D. Tenant represents and warrants that neither it nor its Sublessees are:

- (1) A person or entity designated by the U.S. government on the list of the Specially Designated Nationals and Blocked Persons (the "SDN List"), as maintained by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") at <http://www.ustreas.gov/offices/enforcement/ofac/sdn>, with which a U.S. person or entity cannot deal or otherwise engage in business transactions;
- (2) A person or entity who is otherwise the target of U.S. economic sanctions and trade embargoes enforced and administered by OFAC, such that a U.S. person or entity cannot deal or otherwise engage in business transactions with such Tenant or its Sublessees;
- (3) Either wholly or partly owned or wholly or partly controlled by any person or entity on the SDN List, including, without limitation, by virtue of such person being a director or owning voting shares or interests in an entity on the SDN List;
- (4) A person or entity acting, directly or indirectly, for or on behalf of any person or entity on the SDN List; or
- (5) A person or entity acting, directly or indirectly, for or on behalf of a foreign government that is the target of the OFAC sanctions regulations such that the entry into this Master Lease would be prohibited under U.S. law.

E. Tenant shall inquire diligently into and screen the qualifications of each employee, agent, or representative operating out of the Leased Premises, and no one that may pose a reasonably ascertainable risk to the safety or property of Wal-Mart or its affiliates or subsidiaries, associates, customers, or business invitees are permitted on Wal-Mart property. For purposes of this paragraph, "inquire diligently into and screen" means conducting a criminal background check in accordance with federal and state law, properly checking references, and using such other methods to determine qualifications that a reasonable and prudent employer might utilize under the circumstances. In addition, "risk" means any propensity to engage in violence, sex crimes, fraud, theft, vandalism, or any other conduct likely to result in harm to a person or property. Failure to comply with this provision constitutes a material breach of this Master Lease.

F. Tenant represents and warrants that it currently maintains information protection practices and procedures ("Information Security Program") that complies with industry best practice and applicable legal requirements relating to the privacy, confidentiality or security of any personally identifiable information ("PII").

(1) Tenant agrees to immediately notify Wal-Mart's Emergency Operations Center by phone (479) 271-1001 of any reasonably suspected or actual loss of PII or breach or compromise of its Information Security Program to the extent such loss, breach or compromise relates in any way to Tenant's operation of the Leased Premises and has or may result in the loss or unauthorized access, disclosure, use or acquisition of PII, including hard copy records (a "Data Incident").

(2) While the initial phone notice may be in summary form, a comprehensive written notice should be given within forty-eight (48) hours to Wal-Mart's Chief Privacy Officer, 702 SW 8th Street, Bentonville, AR, and its Chief Information Security Officer, 805 Moberly Lane, Bentonville, AR. The notice shall summarize in reasonable detail the nature and scope of the Data Incident and the corrective action already taken or to be taken by Tenant. Tenant shall promptly take all necessary and advisable corrective actions, and shall cooperate fully with Landlord in all reasonable efforts to mitigate any adverse effects to Landlord of the Data Incident.

(3) Tenant acknowledges that it is solely responsible for the confidentiality and security of PII in its possession, custody or control to the extent associated in any way with Tenant's operation of the Leased Premises.

G. Tenant shall maintain the warranties and representations Tenant made under this Master Lease, all of which are remade and reaffirmed by Tenant when signing each new Attachment A, in full force and effect throughout the term of this Master Lease.

H. Any failure by Tenant to comply with its obligations under this Section 8.2 is a material breach.

8.3 **Landlord's Right of Removal.** Landlord, in its sole judgment and discretion, may deny entry to or remove from its premises any Tenant or Sublessee, or any

agent, employee, or representative of either Tenant or Sublessee, who violates any of Landlord's rules or regulations.

ARTICLE IX
RIGHT TO ACCESS & COMMON AREAS

9.1 Landlord's Right to Access. Landlord may enter the Leased Premises:

- A. Upon reasonable notice to Tenant (except in the case of emergency, in which case no notice will be required) to either inspect the Leased Premises, enforce any of Landlord's rules and regulations or enforce the terms and conditions of this Master Lease;
- B. Upon reasonable notice to Tenant, either to effect repairs it is obligated to perform or to add, alter, improve, repair, or otherwise construct or maintain any part of the Store adjacent to the Leased Premises; and
- C. With twenty-four (24) hours' advance notice to Tenant to show the Leased Premises to a prospective lender, lessee, or purchaser.

9.2 "For Rent" or "For Lease." Landlord may post "For Rent" or "For Lease" signs on the Leased Premises during the last ninety (90) days of the Leased Term if, in accordance with this Master Lease, Landlord and Tenant do not extend the Lease Term.

9.3 Tenant's Right to Access.

- A. Tenant, its Sublessee, and the agent, customer, employee, or representative of each, has a limited right, during the Hours of Operation listed in Attachment A and immediately before and immediately after the Hours of Operation, to enter upon the Common Areas of the Store in order to conduct business in the Leased Premises.
- B. Except as set forth in Article II (Construction and Acceptance of the Leased Premises) and Article VII (Repairs and Maintenance), Tenant has no rights or obligations related to the rooftop of the Leased Premises.
- C. Tenant, with Landlord's prior consent, which will not be unreasonably withheld, conditioned or delayed, may enter Landlord's property for the limited purpose of servicing, maintaining, and otherwise performing its obligations in connection with this Master Lease at times the Store is not open to the public for business if Tenant, in no way, provides its services to the public during that time.

- 9.4 **Parking.** Tenant, its Sublessee, and the agents, employees, and representatives of each, while working in the Leased Premises, may park their motor vehicles in spaces designated by Landlord. Landlord may tow or cause to be towed, at the expense of the owner of the motor vehicle, any motor vehicle owned by Tenant, its Sublessee, or the agents, employees, and representatives of each that is parked in any area of Landlord's property other than the parking area designated. Landlord will not be liable to Tenant or its Sublessee or either of their agents, employees or representatives for any damage to or theft of their motor vehicles or any personal property contained in their motor vehicles.
- 9.5 **Landlord's Liability.** If Landlord enters the Leased Premises according to the provisions of this Master Lease, Landlord is not liable to Tenant for any loss, liability, or damages resulting from Landlord's entry except to the extent such losses, liabilities or damages arise from Landlord's gross negligence or willful misconduct. If Landlord enters the Leased Premises during the Hours of Operation, Landlord will use commercially reasonable efforts not to interfere with Tenant's business, and Landlord will not be liable to Tenant for any loss, including lost profits, for any resulting business interruption, except for losses, other than lost profits, to the extent such interruption arises from Landlord's gross negligence or willful misconduct.
- 9.6 **Common Areas.** Despite the preceding Sections, Landlord may close or prohibit the use of any Common Area, in part or in whole; may change the location or appearance of the Common Area; or may erect additional structures in the Common Area, provided such changes do not materially impact access to the Leased Premises.

ARTICLE X

TRANSFER OF INTEREST, SUBORDINATION & ATTORNMENT

- 10.1 **Transfer of Tenant's Interest.** During the term of this Master Lease, Tenant may not, without the prior written consent of Landlord, which Landlord may withhold in its sole discretion, take any of the following actions (individually and collectively, a "Transfer"):
- A. transfer, encumber, pledge, or sublease, its interest in this Master Lease, either in its entirety or as to a particular Leased Premises, or an applicable Leased Premises, other than to an Affiliate;
 - B. permit any transfer of its interest in this Master Lease by operation of law other than a transfer by operation of law to an Affiliate;

- C. permit any person or entity other than Tenant to use the Leased Premises;
- D. cause or permit Tenant's dissolution, merger, or consolidation, other than a merger;
- E. transfer, at any time during the term of this Master Lease, more than an aggregate of fifty percent (50%) of Tenant's voting shares or more than fifty percent (50%) of the value of Tenant's unencumbered assets (as of the date of the transfer);
- F. transfer, at any time during the term of this Master Lease, any part or all of Tenant's shares of stock resulting in the majority owner(s) of said shares of stock as of the day Tenant signs this Master Lease no longer maintaining effective voting control of Tenant.

10.2 **Effect of Unauthorized Transfer.** Subject to the exceptions in Section 10.1, any Transfer or attempted Transfer without Landlord's prior written consent will be void, will not confer any rights upon any third person, and will constitute a material breach of this Master Lease.

10.3 **Requesting Landlord's Consent.**

- A. Any request for Landlord's consent pursuant to this Article X must be in writing and include:
 - (1) The proposed effective date of the Transfer, which should not be less than forty-five (45) days nor more than one hundred eighty (180) days in advance of the notice;
 - (2) All of the terms, including the consideration, of the proposed Transfer, the name and address of the proposed transferee, and a copy of all documentation pertaining to the proposed Transfer; and
 - (3) The current audited financial statements of the proposed transferee or any other financial statements that would enable Landlord to determine the financial responsibility, character, and reputation of the proposed transferee.
- B. Tenant shall provide any additional information Landlord reasonably requests in connection with the proposed Transfer.

10.4 Effect of Consent.

- A. If Landlord consents to any Transfer, that consent is not effective until and unless:
 - (1) Landlord receives a copy of the assignment effecting the Transfer, in a form approved by Landlord in its sole discretion; and
 - (2) The transferee delivers to Landlord a written agreement, in form and substance satisfactory to Landlord in its sole discretion, by which the transferee assumes all of the obligations and liabilities of Tenant under this Master Lease.
- B. Any consent by Landlord to a Transfer does not constitute a waiver by Landlord of any prohibition against any future Transfers.
- C. No Transfer relieves Tenant of any obligations under this Master Lease.

10.5 Transfer Premium.

- A. For the purposes of this provision, "Transfer Premium" means all Rent or other consideration payable by the Transferee in any monthly period that is in excess of the Rent payable by Tenant under this Master Lease in the same monthly period.
- B. Tenant promptly, without notice or demand, shall pay Landlord fifty percent (50%) of any Transfer Premium Tenant receives in connection with a Transfer.
- C. Tenant shall pay Landlord, in a form satisfactory to Landlord, any part of the Transfer Premium Tenant receives in a non-cash form.
- D. In lieu of accepting any payment from Tenant of a Transfer Premium, Landlord may elect, upon ninety (90) days' written notice, to increase the Rent due under this Master Lease as to the transferred Leased Premises by an amount equal to Landlord's share of the monthly amount of the Transfer Premium.
- E. Landlord and its authorized representatives have the right to conduct an audit, relating to any Transfer Premium, of Tenant at Tenant's place of business during Tenant's regular work hours and with reasonable notice. If the audit establishes that Tenant underpaid Landlord's percentage of the Transfer Premium, Tenant, within thirty (30) days following receipt of

written demand, will pay the deficiency and Landlord's costs of such audit. If the deficiency is greater than five percent (5%), Landlord may terminate this Master Lease as to the transferred Leased Premises. If the audit establishes that Tenant overpaid Landlord's percentage of the Transfer Premium, Landlord, within thirty (30) days following receipt of written demand by Tenant, will reimburse Tenant the amount of the overage.

F. This provision does not apply to:

- (1) Any Transfer between Affiliates,
- (2) Payments made by a transferee for Tenant's customer deposits, or
- (3) Tenant's furniture, fixtures, and equipment.

10.6 Transfer of Landlord's Interest.

- A. Landlord may transfer all or a part of its interest in the Store, the Common Areas, or the Leased Premises to a parent, subsidiary, or affiliated corporation of Landlord without prior consent or notice to Tenant.
- B. If Landlord transfers its interest in this Master Lease as to a Leased Premises and the transferee assumes all of Landlord's future obligations under this Master Lease, Landlord will be released from any further obligations under this Master Lease as to the transferred interest from and after the date of such transfer. Tenant agrees to look solely to Landlord's transferee for performance of obligations thereafter arising under this Master Lease. Landlord will transfer to the transferee any Security given by Tenant according to Article IV (Rent Security & Taxes), Section 4.8 (Security Deposit), and Landlord will be discharged from any further obligation relating to the Security.

10.7 Subordination. Landlord may elect that this Master Lease, as to a particular Leased Premises, be subordinate to or paramount to the lien of any mortgage. Landlord's right to elect is self-operative, and no further instrument will be required. If Landlord requests, Tenant will do one or both of the following:

- A. Confirm in writing and in a recordable form that this Master Lease, as to a particular Leased Premises, is subordinate to or paramount to (as Landlord elects) the lien of any mortgage; and

- B. Execute an instrument making this Master Lease, as to the particular Leased Premises, subordinate or paramount (as Landlord may elect) to the lien of any mortgage, in a form as may be required by any applicable mortgagee.
- 10.8 **Attornment.** Tenant may not disaffirm any of its obligations under this Master Lease if Landlord transfers its interest in the Store or a particular Leased Premises to a successor. Landlord's successor and Tenant will attorn to and be bound by the terms, covenants, and conditions of this Master Lease as to the affected Leased Premises for the balance of the Lease Term.
- 10.9 **Non-Disturbance.** Notwithstanding anything in this Article X to the contrary, provided Tenant is not in default under this Master Lease following any applicable notice and cure period, Landlord shall not disturb Tenant's occupancy of the Leased Premises. In addition, Landlord shall use commercially reasonable efforts to obtain non-disturbance agreements from any future mortgagees of Landlord.

ARTICLE XI

CASUALTY

- 11.1 **Fire or Other Casualty.** Tenant shall promptly notify Landlord, in writing, of any damage caused to a Leased Premises by casualty.
- 11.2 **Election to Rebuild.**
- A. Landlord may elect to repair and restore structural damage to a Leased Premises damaged by casualty and shall notify Tenant of its election in writing within sixty (60) days after Landlord receives notice of the casualty damage.
- B. If Landlord does not elect to repair and restore structural damage to a Leased Premises damaged by casualty, this Master Lease as to the applicable Leased Premises will terminate.
- C. If Landlord elects to repair the structural damage to a Leased Premises damaged by casualty, Landlord, after notifying Tenant of its election, will diligently undertake the appropriate measures necessary to complete the repairs to the applicable Leased Premises in a commercially reasonable amount of time. Landlord will return the applicable Leased Premises to Tenant in substantially the same condition the applicable Leased Premises was in on the Delivery Date. Tenant will then complete the build out of

the applicable Leased Premises with commercially reasonable diligence and return the applicable Leased Premises to substantially the same condition the applicable Leased Premises was in immediately prior to the casualty.

11.3 **Rent Abatement.** If Landlord elects to repair the structural damage to a Leased Premises damaged by casualty, Landlord may abate Rent due on the applicable Leased Premises to the extent that the:

- A. Applicable Leased Premises is closed for repair, or
- B. Tenant's operations within the Leased Premises are impaired by the structural damage and subsequent repairs.

ARTICLE XII

CONDEMNATION & EMINENT DOMAIN

12.1 **Total or Substantial Taking.** If a Taking of a Leased Premises, or a Store in which exists a Leased Premises, occurs, this Master Lease as to the applicable Leased Premises will terminate automatically as of the date of the Taking. For purposes of this Master Lease, "Taking" means any government action that deprives, directly interferes with, or substantially disturbs the use and enjoyment of the Leased Premises, any of which may occur because of either the exercise of the power of eminent domain or condemnation or resulting from a purchase in lieu thereof.

12.2 **Partial Taking.** If a Taking of only a portion of the Leased Premises, or of a Store in which exists a Leased Premises, occurs, Landlord may either:

- A. Terminate this Master Lease, without liability, as to the applicable Leased Premises; or
- B. Reduce the Base Rent in proportion to the area of the Leased Premises affected by the Taking until such time that portion of the Store or the Leased Premises is restored.

12.3 **Temporary Use.** If a Taking of the Leased Premises occurs for temporary use, this Master Lease will continue in full force and effect as to the applicable Leased Premises. Tenant will continue to comply with its obligations under this Master Lease, and any appendix, amendment, or attachment hereto; to the extent, compliance is possible because of the Taking for temporary use. If, during the temporary Taking, Tenant is unable, based on a commercially reasonable

standard, to operate its business from the Leased Premises such that Tenant reasonably is unable to open the Leased Premises for business, Landlord will reduce Tenant's Rent in proportion with the number of days the Leased Premises is closed during the temporary Taking.

- 12.4 **Compensation.** Except as provided below, any compensation, arising out of the Taking of a Leased Premises, belongs to and is the property of Landlord without any participation by Tenant. Tenant hereby assigns to Landlord any share of any compensation arising out of the Taking of a Leased Premises that may be awarded to Tenant and waives any rights it may have with respect to the loss of its leasehold estate; provided, however, that Tenant shall have the right to any compensation award relating specifically to the Improvements or Trade Fixtures installed by Tenant.

ARTICLE XIII **INDEMNITY AND LIABILITY**

- 13.1 **Definitions.** For the purposes of this Master Lease:

- A. "Claim" means any action, cause of action, claim, or any other assertion of a legal right; damages including, but not limited to, consequential, future, incidental, liquidated, special, and punitive damages; diminution in value; fines; judgments; liabilities; losses including, but not limited to, economic loss and lost profits; and regulatory actions, sanctions, or settlement payments.
- B. "Indemnatee" means:
- (1) Landlord, its subsidiaries, affiliates, officers, directors, employees, agents, and
 - (2) Any lessor of Landlord or other party to an agreement with Landlord related to Landlord's purchase, lease, or use of the Store or the underlying land, which Landlord has a contractual obligation to indemnify for Claims in connection with the Store or the Leased Premises.
- C. "Indemnified Claim" means a Claim for which Tenant is obligated to indemnify, defend, and hold harmless the Indemnitees according to Section 13.2 below.

13.2 **Indemnification.** Tenant shall indemnify, defend, and hold harmless the Indemnitees against any Claim, even if the Claim is groundless, fraudulent, false, or raised or asserted by a third party, including a government entity, in connection with or resulting from:

- A. Any actual or alleged breach of this Master Lease by Tenant or Sublessee, or any agent, employee, or representative of either Tenant or Sublessee;
- B. Any actual or alleged negligence or willful misconduct by Tenant or Sublessees, or their respective agents, employees, representatives, subcontractors, or customers, at or related to the Leased Premises;
- C. An investigation of the Indemnitees concerning the alleged improper management, handling, storage, disposal, or transportation of Hazardous Substances, any of which Tenant is responsible for under this Master Lease and the actual or alleged improper use, handling, management, storage, transportation, and disposal of Hazardous Substances by Tenant, Sublessee, or any agent, employee, or representative of either Tenant or Sublessee;
- D. Any Data Incident; and
- E. Indemnitees' actual or alleged passive negligence, secondary liability, vicarious liability, strict liability, or breach of a statutory or non delegable duty, related, directly or indirectly, to any matter covered under Section 13.2 of this Master Lease.

13.3 **Scope of Indemnity.** Tenant's obligations under this Article XIII:

- A. Are independent of, and not limited by, any of Tenant's obligations under Article XIV (Insurance) below, even if damages or benefits are payable under worker's compensation or other statutes or if Tenant breaches its obligations under Article XIV (Insurance) below.
- B. Survive the termination or expiration of this Master Lease until applicable law fully and finally bars all Claims against Tenant. **ALL OBLIGATIONS UNDER THIS ARTICLE XIII WILL BE ENFORCED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW FOR THE BENEFIT OF THE INDEMNITEES.** In the event that applicable law affects the validity or enforceability of this Article XIII, that applicable law will operate to amend this Article XIII to the minimum extent necessary to bring the

provisions of this Article XIII into conformity with the applicable law. This Article XIII, as modified, will continue in full force and effect.

- C. Applies unless and until a final judicial decision, from which there is no further right to appeal, determined that the Indemnitees are not entitled to be indemnified, defended, and held harmless under this Master Lease.

13.4 **Defense of Claim.**

- A. On receiving notice, from whatever source, of the Indemnified Claim, Tenant shall:
 - (1) Promptly notify Landlord of the assertion, filing, or service of any Indemnified Claim of which Tenant becomes aware; and
 - (2) Immediately take all appropriate actions necessary to protect and defend the Indemnitees regarding the Indemnified Claim.
- B. Tenant shall cause the counsel selected by the Indemnitees to defend the Indemnitees with respect to the Indemnified Claim at Tenant's sole cost and expense, and to acknowledge receipt of, to accept, and to represent Indemnitees' interest regarding the Indemnified Claim in accordance with "Wal-Mart's Indemnity Counsel Guidelines."
- C. If, in its sole discretion, the Indemnitees determine that a conflict of interest exists between the Indemnitees and the indemnifying counsel or that the indemnifying counsel is not pursuing a defense for the Indemnitees that is in the Indemnitees' best interests, the Indemnitees may request Tenant replace the indemnifying counsel.
 - (1) Tenant shall not unreasonably withhold its consent to replace the indemnifying counsel and will replace the indemnifying counsel timely or cause the indemnifying counsel to be replaced timely.
 - (2) If Tenant unreasonably withholds consent or the indemnifying counsel is not timely replaced after the Indemnitees requested, the Indemnitees may replace the indemnifying counsel, and Tenant will reimburse the Indemnitees any costs incurred by the Indemnitees in replacing the counsel.

13.5 **Waiver.** Tenant waives any right, at law or in equity, to indemnity or contribution from the Indemnitees.

13.6 Non-Liability of Landlord and Tenant.

- A. Landlord will not be liable to Tenant or Sublessee, or any agent, employee, representative, or customer of Tenant or Sublessee, and Tenant will not be liable to Landlord, for any Claim relating to the negligence or willful misconduct of any of Landlord's customers, invitees, or other lessees or sublessees or any customers or invitees of Landlord's other lessees and sublessees.
- B. Except to the extent that any of the following result from Landlord's gross negligence or willful misconduct, Landlord will not be liable to Tenant for any Claim relating to the condition of the Store, the Common Areas, or the Leased Premises in connection with disrepair or defect in any:
- (1) Structural element of the Leased Premises;
 - (2) Trade Fixtures, Improvements, wiring, or any of Tenant's installations;
 - (3) Backup of drains constructed or installed by Tenant; or
 - (4) Gas, water, steam, electricity, grease, or oil, leaking, escaping, or flowing, from any equipment, pipes, drains, wiring, Trade Fixtures, or Improvements installed or maintained by Tenant.

13.7 Breach of Article XIII. Any failure by Tenant to comply with this Article XIII is a material breach of this Master Lease, which does not relieve Tenant of its obligations under this Article XIII.

**ARTICLE XIV
INSURANCE**

14.1 Insurance Required. Tenant shall procure and maintain, at Tenant's own expense, the insurance policies described in the attached Appendix 2. All insurance policies required by this Master Lease must be obtained from an insurance company with a rating of A+ or better and a financial Size Category rating of VII or better as rated in the A.M. Best Key Rating Guide for Property and Casualty Insurance Companies ("Insurer"), unless self-insured as discussed in Section 14.3 below.

14.2 Requirements.

- A. Tenant and its Sublessees bear the responsibility of insuring for fire and all risks, including risk of flood, earthquake, and terrorism, associated with the merchandise, Trade Fixtures, and Improvements related to the operation of the Leased Premises. At no time is Landlord liable for any Damage or Injury to Tenant's business property, Improvements, betterments, or Trade Fixtures or other property of Tenant within any of the Leased Premises due to fire or any other risk covered under a Causes of Loss – Special Form Insurance Policy or due to flood, earthquake, or terrorism.
- B. Tenant shall submit to Landlord a Certificate of Insurance for each insurance policy required under this Article XIV and the attached Appendix 2 naming "Wal-Mart Stores, Inc., Attn: Asset Management, 2001 S.E. 10th Street, Bentonville, AR 72716-5525" as the Certificate Holder. Additionally, each Certificate of Insurance must:
- (1) Be submitted to Landlord at the address provided in the preceding sentence;
 - (2) Show the name and address of the Insurer;
 - (3) Show the policy number and date(s) of coverage for each policy procured by Tenant in satisfaction of its obligations under this Master Lease;
 - (4) Include the name, address, telephone number, and signature of the authorized person providing the Certificate of Insurance;
 - (5) Verify the insurance coverage required in this Article XIV and Appendix 2;
 - (6) Where permitted by law, list as Additional Insureds Wal-Mart Stores, Inc., its Subsidiaries and its Affiliates, and the directors, officers, shareholders, employees, agents, and representatives, and the respective successors and assigns of each, and any party that Landlord has a contractual obligation to indemnify in relation to Tenant's use of the applicable Leased Premises;
 - (7) Verify that Insurer waives subrogation in favor of Landlord and Landlord's affiliates and subsidiaries;

- (8) Verify the insurance policies are primary, non-contributory, and not in excess of any insurance the Additional Insured has available to it; and
- (9) Where permitted by law, provide coverage for punitive damages.

14.3 Self-Insured.

A. Landlord may accept self-insurance in lieu of the insurance policies set forth in this Article XIV and the attached Appendix 2 if Tenant provides to Landlord:

- (1) A copy of the Certificate of Authority to Self-Insure its Worker's Compensation obligations issued by the state(s) in which the Leased Premises will be located and a copy of the state-issued letter approving self-insurance for automobile liability, if required under this Master Lease;
- (2) Proof that Tenant's net worth is at least ten (10) times the amount of Commercial General Liability insurance required by this Master Lease; and
- (3) A copy of Tenant's most recently audited annual financial statements, with no negative notes, or the most recent Dun & Bradstreet report.

B. If Landlord accepts self-insurance in lieu of the insurance policies set forth in this Article XIV and the attached Appendix 2, Tenant hereby agrees to the obligations of any endorsement or Certificate of Insurance required under Section 14.2 above and that may be required under any appendix, amendment, or attachment hereto. Such obligations become Tenant's obligations under this Master Lease.

14.4 Mutual Waiver of Subrogation. Landlord and Tenant each hereby release the other from all liability or responsibility to the other or to any other party claiming through or under them by way of subrogation or otherwise or for any loss or damage to property caused by casualty that is customarily insured under a Causes of Loss—Special Form insurance policy or that is due to flood, earthquake, or terrorism. This mutual waiver applies only to Damage or Injury to Tenant's business property, Improvements, betterments, or Trade Fixtures within any of the Leased Premises occurring during the time when Tenant's business property, Improvements, betterments, or Trade Fixtures within any of

the Leased Premises are covered under a Causes of Loss- Special Form insurance policy or are due to flood, earthquake, or terrorism for which Tenant has insurance coverage.

- 14.5 **Breach**. Failure to procure and maintain the insurance required under this Article XIV and the attached Appendix 2 constitutes a material breach of this Master Lease. Tenant shall indemnify, defend, and hold harmless the Indemnitee against Indemnified Claim that the required insurance would have covered but for Tenant's breach.
- 14.6 **Insurance Obligation is in Addition to Other Obligations**. Tenant's obligations under this Article XIV and the attached Appendix-2 are in addition to, not in lieu of, Tenant's other obligations, including Tenant's obligations under Article XIII (Indemnity and Liability), to Landlord under this Master Lease.

ARTICLE XV **CONFIDENTIALITY**

- 15.1 The terms and provisions of this Master Lease affect present and future negotiations Landlord or Tenant may have with another party. As such, Landlord and Tenant, and the agents, employees, representatives, and Sublessee of each, shall each keep the same confidential, disclosing only such information as is required by law or by mutual, written agreement between Landlord and Tenant.
- 15.2 Neither Landlord nor Tenant shall disclose any information that the other may mark as confidential or proprietary including, but not limited to, lists of available rental space and marketing plans, schedules, sales figures, sales projections, financial statements or other financial information that Landlord or Tenant may make available or known to the other party, disclosing only such information as is required by law or by mutual, written agreement between Landlord and Tenant.
- 15.3 Failure to comply with this Article XV is a material breach of this Master Lease.

ARTICLE XVI **COVENANT OF QUIET ENJOYMENT**

- 16.1 Landlord covenants that Tenant peaceably and quietly may enjoy the Leased Premises in accordance with, and subject to, the terms of this Master Lease and without any interruption or disturbance from Landlord, provided Tenant:

- A. Pays Rent and all other charges provided for in this Master Lease and any appendix, amendment, or attachment hereto,
- B. Performs all of its obligations provided for under this Master Lease, and
- C. Observes all of the other provisions of this Master Lease.

ARTICLE XVII

DEFAULT, TERMINATION, SURRENDER, TENANT'S LIABILITY, RIGHT OF REENTRY, TENANT'S WAIVERS, LANDLORD'S RIGHT TO PERFORM, CUMULATIVE RIGHTS

17.1 **Default.** Each of the following events constitutes a Default of this Master Lease:

- A. Tenant files for Insolvency or is adjudicated Insolvent. For the purposes of this Master Lease, "Insolvency" means any petition filed by Tenant in bankruptcy, for reorganization or arrangement, or for appointment of a receiver or trustee; Tenant acquiescing to a petition for bankruptcy, reorganization, arrangement, or the appointment of a receiver or trustee by a creditor; or any assignment by Tenant for the benefit of a creditor.
- B. A petition for Insolvency is filed against Tenant, to which Tenant does not acquiesce, and that, within sixty (60) days following the filing, is not dismissed, discontinued, or vacated.
- C. Tenant's interest in this Master Lease, in its entirety or as to a particular Leased Premises is assigned by operation of law, except to the extent permitted under Article X (Transfer of Interest, Subordination and Attornment) hereof.
- D. Tenant fails to pay any installment of Rent or any other charge, to which Tenant is obligated by this Master Lease to pay when due and payable, and the failure to pay continues for more than ten (10) days after the date due and such failure occurs more than two (2) times in any twelve (12) month period.
- E. Tenant breaches any material obligation or covenant under this Master Lease.
- F. Tenant breaches any non-material obligation or covenant under this Master Lease more than two (2) times in any twelve (12) month period,

and each breach remains uncured thirty (30) days after Tenant receives written or verbal notice of the breach from Landlord.

- G. After the Rent Commencement Date, Tenant fails to open the applicable Leased Premises according to the Hours of Operation designated in Attachment A more than two (2) times in any twelve (12) month period without Landlord's prior, written approval or as otherwise allowed under this Master Lease.

17.2 **Termination for Default.** Landlord may terminate this Master Lease, in its entirety or as to a particular Leased Premises, without any liability, if Tenant Defaults, as defined in Section 17.1 above, or elsewhere in this Master Lease, upon ten (10) days prior written notice to Tenant. However, Landlord may wait to terminate this Master Lease, in its entirety or as to a particular Leased Premises, until after it re-lets the Leased Premises in accordance with this Article, and in such event Tenant shall pay Landlord all sums due Landlord under this Master Lease up through the date of such termination.

17.3 **Condition Upon Surrender at Termination or Expiration.** See Attachment A for each applicable Leased Premises.

17.4 **Landlord's Right of Reentry.** If Tenant fails to surrender the applicable Leased Premises in accordance with this Article, Landlord, its agents, employees, or representatives, without prejudice to any right or remedy available to Landlord under this Master Lease, at law, or in equity and subject to applicable law, may:

- A. Re-enter and repossess the applicable Leased Premises and do one or more of the following:
- (1) Dispose of any property, Trade Fixtures, or Improvements remaining therein.
 - (2) Re-let the Leased Premises, and if Landlord re-lets the Leased Premises for Rent and other charges equal to or greater than the Rent and other charges for which Tenant remains liable, Tenant will be released from further liability under this Master Lease.
 - (3) Use all or a portion of the Leased Premises, in which case the fair market value of the applicable Leased Premises, or the portion of that Leased Premises used, will be used in calculating Tenant's liability described in Section 17.5 below. If the fair market value equals or is greater than the Rent and other charges for which

Tenant remains liable, Tenant will be released from further liability under this Master Lease.

- (4) Demand full and final settlement, whereupon Tenant shall pay Landlord the present value of the total of all future Rent that would come due under this Master Lease but for the termination of this Master Lease, plus other charges that may apply under this Master Lease, less the fair market value of the particular Leased Premises. Present value will be calculated at eight percent (8%).

- B. Continue this Master Lease in full force and continue to look to Tenant to perform all Tenants' obligations under this Master Lease, but Landlord may pursue Tenant for damages incurred or equitable relief or both.

17.5 **Survival of Tenant's Liability.** Upon termination of this Master Lease, in its entirety or as to a particular Leased Premises and without prejudice to any right or remedy available to Landlord under this Master Lease, at law, or in equity and subject to applicable law, Tenant shall remain liable for

- A. Unpaid Rent and other charges;
- B. Damages for its failure to perform other obligations;
- C. Expenses Landlord incurs in the course of evicting Tenant and re-entering the Leased Premises, including reasonable attorneys fees and court costs; and
- D. Unless Tenant surrenders the Leased Premises in accordance with this Article, any cost incurred by Landlord in returning the Leased Premises to the same condition in which Tenant received the Leased Premises on the Delivery Date, less any revenue received by Landlord by re-letting the Leased Premises, less any claim Landlord successfully makes against the Security required pursuant to Article IV (Rent, Security & Taxes) Section 4.8 above.

17.6 **Tenant's Waivers.** Landlord and Tenant waive any right to trial by jury on all issues in all litigation between Landlord and Tenant arising from or relating to this Master Lease, and Tenant, additionally, waives any:

- A. Right to withhold or reduce Tenant's required payments of Rent and other charges for which Tenant is obligated under this Master Lease;

- B. Statutory requirements of prior, written notice before filing for eviction or for any damages suit for non-payment of Rent;
- C. Claim for damages against Landlord resulting from Landlord's re-entry, except for damages arising from Landlord's gross negligence or willful misconduct;
- D. Rights to bring any counterclaim, proceeding, or other cause of action in relation to dispossession, other than compulsory counterclaims; and
- E. To the extent legally permissible, for itself and all persons claiming by, through, or under it, any right of redemption or for the restoration of the operation of this Master Lease under any present or future law in case Tenant is dispossessed for any cause or in case Landlord obtains possession of the Leased Premises as herein provided.

17.7 Landlord's Right to Perform for Account of Tenant.

- A. If Tenant Defaults under this Master Lease, Landlord may cure the Default at any time for the account of and at the expense of Tenant, and Tenant will reimburse Landlord for any amount, including reasonable attorneys fees and interest, expended in connection therewith.
- B. If either party seeks enforcement of this Master Lease by litigation and prevails, the non-prevailing party will reimburse the prevailing party for its reasonable attorneys' fees and disbursements reasonably incurred in connection with the litigation.
- C. In addition to all other obligations under this Master Lease, Tenant shall pay interest to Landlord, at the maximum lawful rate, on the amount specified in Sections 17.7.A and 17.7.B above, from the date Landlord incurs the expense until the day reimbursed.

17.8 Cumulative Rights.

- A. Landlord's and Tenant's rights and remedies set forth in this Master Lease are cumulative and in addition to any other right and remedy now and hereafter available to Landlord or Tenant by this Master Lease, at law or in equity. Either party may exercise its rights and remedies at any time, in any order, to any extent, or as often as such party deems advisable.
- B. A single or partial exercise of a right or remedy will not preclude a further exercise of that or another right or remedy.

- C. No action, inaction, delay, or omission by either party in exercising a right or remedy exhausts or impairs the same or constitutes a waiver of, or acquiescence to, a breach of this Master Lease or Default.
- D. If either party waives a breach of this Master Lease or a Default, that waiver does not extend to or affect any other breach of this Master Lease or any other Default, nor will it impair any right or remedy with respect thereto.
- E. Acceptance by Landlord of Rent after Landlord notifies Tenant of termination does not waive Landlord's right to terminate or pursue any other right and remedy available to Landlord under this Master Lease, at law, or in equity.

17.9 Landlord's Default.

- A. Landlord's failure to perform any of its obligations under this Master Lease may constitute a default of this Master Lease, in its entirety or as to the particular Leased Premises affected by Landlord's failure to perform, if Tenant notifies Landlord, in writing, of Landlord's failure to perform, and Landlord fails to cure the failure to perform within at least thirty (30) days after Landlord receives Tenant's notice, or such longer period of time as may reasonably be necessary to cure the type of alleged breach under the circumstances, provided that Landlord commences to cure within the initial thirty (30) day period and thereafter diligently pursues completion of such cure. Notice required under this Section must include a description of the particular facts and circumstances alleged giving rise to the alleged breach and the date of commencement of the alleged breach.
- B. If Landlord defaults on this Master Lease, Tenant, in addition to any other rights or remedies to which it is entitled at law or in equity, may:
 - (1) Treat this Master Lease as still in full force and effect continuing to look to Landlord to perform its obligations under this Master Lease but seek damages or equitable relief, or both; or
 - (2) Terminate this Master Lease, in its entirety or as to the applicable Leased Premises, with thirty (30) days' written notice stating the date on which Tenant will vacate the Leased Premises. If Tenant fails to timely vacate the Leased Premises, Tenant's notice of termination will be deemed void; the Master Lease, in its entirety or as to the applicable Leased Premises, will continue in full force and

effect and Landlord will be deemed to have cured any alleged breach.

- C. Regardless of which remedy Tenant pursues, **LANDLORD'S LIABILITY FOR DEFAULT UNDER THIS MASTER LEASE, AT LAW OR IN EQUITY, WILL NOT EXCEED AN AMOUNT EQUAL TO ONE (1) YEAR'S RENT PAID BY TENANT FOR THE LOCATION IN WHICH LANDLORD WAS FOUND IN DEFAULT.**

- 17.10 **Force Majeure.** If a force majeure occurs, the time that the force majeure delays performance by either Landlord or Tenant will be excluded from the computation of time within which Landlord, Tenant, or both, must perform under this Master Lease. For purposes of this Master Lease, a force majeure is a strike, riot, act of God, shortage of material, war, governmental law, regulation, or restriction, or any other cause of any kind that is beyond the reasonable control of the party owing performance.

ARTICLE XVIII **HOLDING OVER & ESTOPPEL CERTIFICATES**

- 18.1 **Holding Over.** If Tenant remains in possession of the Leased Premises after the expiration of the Lease Term without a new Attachment A or Master Lease executed by both Landlord and Tenant, Tenant will be a "Holdover Tenant." As a Holdover Tenant, Tenant will occupy the Leased Premises on a month-to-month basis with a monthly rental rate equal to the Rent and other charges applicable at the time of the expiration of the Master Lease plus fifty percent (50%) of the sum of such amounts. Further, Tenant will be subject to all conditions, provisions, and obligations of this Master Lease as far as the same are applicable to a month-to-month tenancy.
- 18.2 **Estoppel Certificates.** Tenant, within ten (10) days of Landlord's request, shall deliver to Landlord an executed, written statement addressed to the party designated in Landlord's request and identifying Tenant and this Master Lease and certifying and confirming, in addition to any information or confirmation Landlord may reasonably require, the following:
- A. That this Master Lease is either unmodified since its execution and in full force and effect, or modified since its execution but still in full force and effect as modified;
 - B. That Landlord either is not in default of any of its obligations under this Master Lease or is in default, specifying the default;

- C. Tenant's obligations and restrictions concerning subordination and attornment; and
 - D. The Lease Term, Rent Commencement Date, and Expiration Date as to the Leased Premises for which the estoppel certificate applies.
- 18.3 **Agent-in-Fact.** Tenant's failure to provide an estoppel certificate materially complying with Section 18.2 above is a material breach of this Master Lease through which, in addition to any other right or remedy Landlord may have under this Master Lease, at law, or in equity, *Landlord is hereby irrevocably appointed and authorized as the agent and attorney-in-fact of Tenant to execute and deliver any such written statement on Tenant's behalf if Tenant fails to do so within seven (7) days after receiving a written request from Landlord.*

ARTICLE XIX INTERPRETATION, NOTICES & MISCELLANEOUS

- 19.1 **Severability.** If a court of proper jurisdiction determines that any provision of this Master Lease, or any application of the provision, is invalid or unenforceable, the remainder of this Master Lease, or the applications of the provision that are not invalid or unenforceable, will remain in full force and effect to the fullest extent permitted by law.
- 19.2 **Captions.** The captions and headings used throughout this Master Lease are for convenience of reference only and do not affect the interpretation of this Master Lease.
- 19.3 **Merger.** This Master Lease, together with any Attachment A, exhibit, addendum, amendment, or any other document attached to and incorporated into this Master Lease, constitutes the entire agreement between Landlord and Tenant, a complete allocation of risks between them, and a complete and exclusive statement of the terms and conditions of this Master Lease. This Master Lease is merged into by and supersedes all prior written or oral agreements, leases, licenses, negotiations, dealings, and understandings, unless specifically provided otherwise in Appendix 1. Except for changes to the Delivery Window and Delivery Date designated in the applicable Attachment A, no amendment or other modification of this Master Lease will be valid or binding on either Landlord or Tenant unless it is reduced to writing and signed by both Landlord and Tenant.
- 19.4 **Survival.** The following provisions of this Master Lease survive the termination, for whatever reason, of this Master Lease: Article XIII (Indemnity and Liability),

Article XIV (Insurance), Article XV (Confidentiality), Article XVII (Default, Termination, Surrender & Tenant's Liability), Article II (Construction and Acceptance of the Leased Premises) Section 2.4, Article XVIII (Holding Over & Estoppels Certificate) Section 18.1, and Appendix 2.

- 19.5 **Third Party Beneficiaries.** Nothing in this Master Lease confers, or intends to confer, any rights upon any person or entity not a party to this Master Lease, except for the Indemnitees identified in Article XIII (Indemnity and Liability) Section 13.1.B above.
- 19.6 **Benefit & Binding Effect.** The terms, provisions, and covenants contained in this Master Lease apply to, inure to the benefit of, and are binding on Landlord and Tenant and their respective heirs, successors, and assignees.
- 19.7 **Fiduciary Relationship.** This Master Lease does not create a fiduciary relationship between Landlord and Tenant. Any expenditures, investments, or commitments either party makes in reliance on any present or future business or lease with the other party is done at such party's own risk and without any obligation whatsoever from the other party.
- 19.8 **No Obligation.** Landlord has no obligation to offer, nor does the course of performance under this Master Lease create any obligation on Landlord to offer, any number of locations for lease to Tenant. Any locations offered for lease to Tenant in accordance with this Master Lease are in the sole and absolute discretion of Landlord. Landlord, in its sole discretion and at any time, may cease offering locations to Tenant, and this Master Lease will continue in full force and effect solely with regard to those Leased Premises for which both Landlord and Tenant have signed an Attachment A. Landlord may lease locations that Landlord might otherwise offer to Tenant under this Master Lease to any party that Landlord chooses including, without limitation, Tenant's competitors. Tenant recognizes and agrees that this Master Lease creates no exclusive rights in Tenant's favor.
- 19.9 **Independent Contractors.** Nothing contained in this Master Lease creates a partnership, joint venture, principal/agent relationship, or any other relationship other than that of landlord/tenant between Landlord and Tenant.
- 19.10 **Notice.** Any notice required by this Master Lease must be in writing and delivered either by hand; by commercial courier; or by placing notice in the U.S. mail, certified mail, return receipt requested, properly addressed and with sufficient postage.

- A. Notice is deemed received on:
- (1) Delivery if by hand;
 - (2) One (1) business day (Monday through Friday) after deposit with a commercial courier, provided deposit is done timely so as to effect next business day delivery, if by commercial courier; or
 - (3) Three (3) business days after placing the notice in the U.S. mail, properly addressed and with sufficient postage for certified mail, return receipt requested.
- B. Notice intended for Tenant must be sent to the address provided in Appendix 1.
- C. Notice intended for Landlord must be sent to: Wal-Mart Stores, Inc., Asset Management, 2001 SE 10th Street, Bentonville, AR 72716-5525, with a copy to: Wal-Mart Stores, Inc., Wal-Mart Stores Division – Legal, Office of the General Counsel, 702 SW 8th Street, Bentonville, AR 72716-0185. Any notices required pursuant to Article VIII (Compliance with Law & Other Requirements), Section 8.2.F must be sent to the addresses provided in that Section.

19.11 **Governing Law.** This Master Lease, and any property or tort disputes between Landlord and Tenant, will be construed and enforced in accordance with the laws of the State of Arkansas, without regard to the internal law of Arkansas regarding conflicts of law. Neither Landlord nor Tenant may raise in connection therewith, and hereby waive, any defenses based on venue, inconvenience of forum, or lack of personal jurisdiction, in any action or suit brought in accordance with the foregoing.

19.12 **Jurisdiction and Venue.** For any suit, action, or legal proceeding, arising from this Master Lease or from any property or tort dispute between Landlord and Tenant, Landlord and Tenant consent and submit to the exclusive jurisdiction and venue of the state courts of Arkansas situated in Benton County, Arkansas or the federal courts situated in the Western District of Arkansas. **Landlord and Tenant acknowledge that they have read and understand this clause and willingly agree to its terms.**

19.13 **Attorney's Fees.** Except as otherwise provided in this Master Lease, if either party commences an action in a court of law against the other party to enforce the terms of this Master Lease, to declare rights under this Master Lease, or for any other reason related to this Master Lease, each party will pay its own attorney's fees and costs incurred as a result of that action.

- 19.14 **Broker's Fees.** Tenant represents and warrants that it has not consulted or negotiated with any broker or finder with regard to the Leased Premises. Tenant covenants and agrees to indemnify and hold harmless Landlord from any claims for fees or commissions from anyone with whom Tenant has consulted or negotiated with regard to the Leased Premises.
- 19.15 **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument. This Agreement may be executed by one or more parties using an electronic signature, which the parties agree shall be binding for all purposes and shall constitute an original signature.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date(s) first set forth below.

Landlord:

WAL-MART STORES, INC.

WAL-MART STORES EAST, LP

WAL-MART STORES TEXAS, LLC

WAL-MART LOUISIANA, LLC

WAL-MART STORES ARKANSAS, LLC

WAL-MART PUERTO RICO, INC.

SAM'S WEST, INC.

SAM'S EAST, INC.

Witness:

By: 
Name: 1-11-2017

By: 
Name: Gary Withrow
Title: Senior Director
Date: 1-11-2017

Witness:

Tenant:

Tapioca Express Inc.


Name:

By: 

Name:

Cheng-Wei Lin

Title:

C.E.O.

Date:

Oct 21, 2016

APPENDIX-1

Basic Lease Terms

The following terms and conditions supplement the terms and conditions set forth in the Master Lease, to which this Appendix-1 attaches and into which this Appendix-1 incorporates. All capitalized terms used in this Appendix-1 shall have the meanings set forth in the Master Lease unless otherwise specifically stated in this Appendix-1.

1. Permitted Use of the Leased Premises:

- a. During the Lease Term of the applicable Leased Premises, Tenant shall use the applicable Leased Premises solely for the purpose of operating a Fast Food restaurant specializing in hand crafted smoothies shakes and tea beverages and Asian fusion take and eat food items. As used herein, "Fast Food" means prepared food and beverages ordered and served over the counter and in disposable containers in a speedy manner convenient to Tenant's customers. Tenant shall operate in a diligent and businesslike manner in conformity with Tenant's standards and policies. Consistent with these standards, Tenant and its sublessees may sell any food and beverage items from time to time designated by Tenant as a nationally approved menu or test item for restaurants operated by Tenant or its sublessees under Tenant's trade name in the United States and may sell any other food and beverage items *only* with the Landlord's prior written approval. As of the date hereof, Landlord has approved (in addition to Tenant's nationally approved and test items) the food items designated on Exhibit 1, which is attached hereto and made a part hereof by this reference. Tenant may not sell any merchandise which has not previously been approved by Landlord, in its sole discretion. However, if Tenant determines that it wishes to sell merchandise which is being sold by other restaurants operated by Tenant or its sublessees under Tenant's trade name as part of a nationwide or market-wide promotional program, Landlord shall be deemed to have approved sales by Tenant of such merchandise if Landlord fails to respond to Tenant's request for approval of such merchandise within 90 days after Landlord's receipt of written notice from Tenant of its desire to sell such merchandise.
- b. During the Lease Term of the applicable Leased Premises, Tenant shall not:
 - (1) Provide full table service in the Leased Premises except as reasonable accommodation under the ADA;
 - (2) Offer or sell, store, display, or distribute alcoholic beverages from or in the Leased Premises;
 - (3) Sell an item not permitted under Paragraph 1.a. above or listed on Exhibit 1, or which is not reasonably aligned with the core menu, unless the new item is part of a nationwide or market-wide promotion Tenant is conducting for a limited duration, so long as the new item does not become a dominant menu item changing the emphasis of the menu in Exhibit 1, and so long as any such new item does not violate the exclusive right granted by Landlord to any other tenant; or
 - (4) Operate or permit the operation of vending machines in the Leased Premises.

2. Leased Premises Specifications:

- a. Tenant may submit change orders up to one hundred eighty (180) days prior to the applicable Delivery Date.
 - (1) Landlord will use reasonable efforts to comply with change orders received by Landlord more than one hundred eighty (180) days prior to the applicable Delivery Date. Landlord, in its

Tenant:
City, State, Store.#:

sole discretion, may comply with any change orders Landlord receives from Tenant that is one hundred eighty (180) days or less in advance of the applicable Delivery Date.

- (2) Tenant, upon execution of the applicable Attachment A, will identify to Landlord the name, title, and contact information of the individual Tenant authorizes to effect change orders for the applicable Leased Premises. Tenant may not modify this designation without written notice to Landlord at least ten (10) days prior to the date on which Tenant desires the change to be effective.
 - (3) Tenant shall pay any cost and expense resulting from Tenant's change order(s) including but not limited to, construction costs, architectural fees, engineering fees, and legal fees.
 - b. In addition to its obligations under the Master Lease, Landlord shall clean and maintain the grease interceptor and pressure wash any respective lines to the grease interceptor in partial consideration of the Common Area Maintenance fee to be paid by Tenant as described in the applicable Attachment A.
 - c. In addition to its obligations under the Master Lease, Tenant shall clean and maintain the floors of the Leased Premises.
 - d. Tenant's obligations under this Section 2 are in addition to, and not in lieu of, Tenant's obligations to prepare the Leased Premises in accordance with Article II of the Master Lease.
 - e. Landlord shall deliver the Lease Premises in accordance with the Master Lease.
3. **Trade Name(s):** Tapioca Express
4. **Address of Tenant:** All notices required to be sent to Tenant under the Master Lease, or any Appendix, Attachment, Amendment, Exhibit, or other document attached to and incorporated into the Master Lease, must be sent to:

Name of Tenant:	Tapioca Express Inc.
Attention:	Stephanie Hsueh
Title:	C.F.O.
Address:	1908 Central Ave. South El Monte, CA 91733
Telephone Number:	626-453-0777
Facsimile Number:	626-453-0778
Email Address:	stephanieh@tapiocaexpress.com

5. **Advisements:** Notwithstanding anything in the Master Lease to the contrary, Landlord shall not be liable to Tenant for any loss of business or loss of inventory resulting from any interruption whatsoever to the public utilities Landlord provides to the applicable Leased Premises pursuant to the Master Lease, provided such interruption was beyond Landlord's control.
6. **Representations and Warranties:** Tenant represents and warrants that the foundation of its business is the adherence by Tenant, and any franchisee, agent, employee, or sublessee of Tenant, to standards

MLA-Appendix-1(Branded Foods)

and policies established by Tenant to provide uniformed operation of its business. Tenant covenants that the Leased Premises will be diligently operated in a businesslike manner in accordance with the Master Lease and in conformity with the standards and policies referenced in the preceding sentence.

7. Tenant's Disclosures and Reports:

- a. Tenant shall provide Landlord, on a monthly basis submitted with Tenant's Rent, a list of the Leased Premises identified by Landlord's Store number, physical address, and (if Tenant leases more than one Leased Premises in a single Store) the specific floor location; the date on which each Leased Premises listed opened; whether the Leased Premises is operated by Tenant or by a sublessee and, if operated by a sublessee, the name, local and regional business address and phone number of the sublessee; the phone number to each Leased Premises listed; and, if different from the Hours of Operation required in Article VI of Attachment A., the Hours of Operation for each Leased Premises listed.
- b. If Tenant is obligated to pay Landlord Percentage Rent, as designated in each applicable Attachment A to the Master Lease, Tenant will daily submit to Landlord's Cash Office, in each Store in which Tenant operates out of a Leased Premises, daily sales data for the applicable Leased Premises. By the fifth (5th) calendar day of the following month, Tenant shall submit to Landlord a spreadsheet listing sales from the preceding month for each Leased Premises leased under the Master Lease. Sales must be listed according to the applicable Leased Premises and broken down by daily sales (if possible). If Tenant cannot provide a breakdown of daily sales as required in the preceding sentence, Tenant will provide a breakdown of weekly sales, and if Tenant is unable to provide a breakdown of daily sales and weekly sales, Tenant will provide a breakdown of monthly sales. Upon receipt of this spreadsheet, Landlord will compile the daily sales data Tenant submitted over the course of that month and will calculate the aggregate Percentage Rent due from Tenant for all Leased Premises leased under the Master Lease.
- c. If Tenant is obligated to pay Landlord Percentage Rent, as designated in each applicable Attachment A to the Master Lease, Tenant shall maintain, at its corporate headquarters or principal place of business and for at least twenty-four (24) months following the end of Landlord's fiscal year, full and accurate books of account and records from which Gross Sales (as defined in the applicable Attachment A) can be determined. Until the end of the twenty-four (24) month period in which Tenant is obligated to maintain its books of account and records, Landlord has the right to inspect and audit all books and records and other papers and files of Tenant or its sublessees relating to Gross Sales. Any such inspection or audit will be conducted during Tenant's regular business hours, and, at the request of Landlord, Tenant and each sublessee, will produce the appropriate books and records and other papers and files relating to Gross Sales.
 - (1) If any audit conducted in accordance with this paragraph 7.c. finds evidence of under-reporting of Gross Sales by an amount equal to or greater than three and one-half percent (3.5%) of the total amount of Gross Sales reported, Tenant shall immediately pay to Landlord the amount under-reported, and Tenant shall bear all costs and expenses of the audit.
 - (2) Additionally, Tenant shall pay Landlord as Percentage Rent an amount equal to fourteen percent (14%) of the total amount of Gross Sales under-reported.
 - (3) If any audit conducted in accordance with this Paragraph 7.c. finds evidence of over-reporting of Gross Sales by an amount equal to or greater than three and one-half percent (3.5%) of the total amount of Gross Sales reported, Landlord shall immediately reimburse to Tenant the amount over-reported, but Tenant shall bear all costs and expenses of the audit.

8. Miscellaneous:

- a. Tenant shall strictly comply with local, state, and national codes and current N.F.P.A. requirements, as periodically updated. Installation of fire extinguishers must be in accordance with applicable codes and requirements and must meet Landlord's insurance underwriter's requirements.

Tenant:
City, State, Store #:

- b. This Appendix-1 attaches to and incorporates into the Master Lease as part of the entire agreement between Landlord and Tenant.
- c. This Appendix-1 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. This Agreement may be executed by one or more parties using an electronic signature, which the parties agree shall be binding for all purposes and shall constitute an original signature.

Tenant:
City, State, Store #:

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date(s) first set forth below.

Landlord:

WAL-MART STORES, INC.

WAL-MART STORES EAST, LP

WAL-MART STORES TEXAS, LLC

WAL-MART LOUISIANA, LLC

WAL-MART STORES ARKANSAS, LLC

WAL-MART PUERTO RICO, INC.

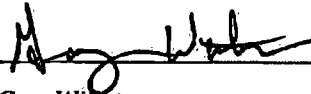
SAM'S WEST, INC.

SAM'S EAST, INC.

Witness:

By: 

Name: 1-11-2017

By: 

Name: Gary Withrow

Title: Senior Director

Date: 1-11-2017

Tenant:
City, State, Store #:

Tenant:
City, State, Store #:

Tenant:

Tapioca Express Inc.

By: 
Name: Cheng-Wei Lin
Title: C.E.O.
Date: Oct. 21, 2016

Tenant:
City, State, Store #:

EXHIBIT 1

Menu and/or Food Items

MLA-Appendix-1(Branded Foods)

Appendix-2 – Insurance

Tenant shall procure and maintain, in accordance with the Master Lease, the “primary” insurance policies described below in accordance with the below conditions.

1. Worker’s Compensation insurance with statutory limits, or if no statutory limits exist, with minimum limits of \$500,000 per occurrence, and Employer’s Liability coverage with minimum limits of \$1,000,000, for each employee for bodily injury by accident and for each employee for bodily injury by disease. Tenant shall cause Insurer to issue an endorsement providing stopgap insurance in monopolistic states in which a Leased Premises under this Master Lease may be located.
2. Commercial General Liability insurance with a \$3,000,000 minimum limit per occurrence for each Leased Premises leased under the Master Lease or with per location aggregate limits for each Leased Premises leased under the Master Lease.
 - a. The Commercial General Liability policy required under this Paragraph 2 should contain neither exclusion for contractual liability assumed by Tenant in a lease nor any Absolute Pollution exclusion, unless these coverages are provided by a separate policy with minimum limits equal to the Commercial General Liability policy limits required by this Paragraph 2.
 - b. Any policy obtained to satisfy the obligations of this Paragraph 2 must list as Additional Insureds the parties described below in Paragraph 5.
 - c. Tenant shall submit to Landlord, no later than thirty (30) days after the actual Rent Commencement Date, Certificates of Insurance and endorsements evidencing Tenant’s compliance with this Paragraph 2.
3. Business Automobile Liability insurance with minimum combined single limits of \$500,000 covering liability arising out of the operation of owned, hired, and non-owned vehicles.
4. Tenant may satisfy the minimum limits required in Paragraphs 1 and 2, above, by procuring and maintaining, in accordance with Article XIV of the Master Lease, Umbrella/Excess Liability insurance on an umbrella basis, in excess over, and no less broad than the primary liability coverage; with the same inception and expiration dates as the primary liability coverage it is in excess of; with minimum limits necessary to satisfy the required primary minimum limits; and which “drop down” for any exhausted aggregate limits of the primary liability coverage. Tenant shall cause Insurer to issue an endorsement to any policy Tenant procures in satisfaction of its obligations in this paragraph providing per location per occurrence limits or per location aggregate limits for each Leased Premises leased under this Master Lease and listing as Additional Insured the parties described below in Paragraph 5.
5. Additional Insureds are Wal-Mart Stores, Inc., its Subsidiaries and its Affiliates, and the directors, officers, shareholders, employees, agents, and representatives, and the respective successors and assigns of each, and any party Landlord has a contractual obligation to indemnify for Claims in connection with the Store or the Leased Premises.

[signature pages on following pages]

Landlord:

WAL-MART STORES, INC.

WAL-MART STORES EAST, LP

WAL-MART STORES TEXAS, LLC

WAL-MART LOUISIANA, LLC

WAL-MART STORES ARKANSAS, LLC

WAL-MART PUERTO RICO, INC.

SAM'S WEST, INC.

SAM'S EAST, INC.

Witness:

By: *[Signature]*

Name: 1-11-2017

By: *[Signature]*

Name: Gary Withrow

Title: Senior Director

Date: 1-11-2017

Tenant:

Tapioca Express Inc.

Witness:

By:

Stephanie Hsueh

Name:

By:

Cheng-Wei Lin

Name:

Title:

C.E.O.

Date:

Oct. 21, 2016

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 17, 2018

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 September 17, 2018 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	L – Wal-Mart Master Lease Agreement

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.

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