FRANCHISE DISCLOSURE DOCUMENT

Tea O'La, Inc.
a California corporation
5055 Walnut Grove Ave.
San Gabriel, CA 91776
(626) 288-1663
www.teastationusa.com

The franchises described in this disclosure document are for the operation of a TEA STATION® Outlet ("Outlet") serving gourmet Asian tea, other beverages and related food items. The estimated initial investment required ranges from $300,000 to $450,000, which includes $72,500 that must be paid to us.

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 governmental agency has verified the information contained in this document.

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.

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 1-977-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: MARCH 30, 2022

How to Use This Franchise Disclosure Document

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

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

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in California. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, or litigate with the franchisor in California than in your own state.
2. **Mandatory Minimum Payments**. You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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EXHIBITS

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

The Franchisor

To simplify the language in this offering circular, the words "We", "Us" and "Our" mean the franchisor, Tea O'La, Inc. "You" or "Your" means the person, corporation or partnership buying a franchise from Us. Items expressed in bold face are for ease of reference only.

TEA O'LA, INC. was incorporated in California on August 30, 2013 to franchise TEA STATION outlets ("Outlets"). We do business under our corporate name as well as under the trade TEA STATION®. We do not do business under any other names. Our principal business address is 5055 Walnut Grove Ave., San Gabriel, CA 91776. Our phone number is (626) 288-1663. We began offering franchises for sale in 2014.

Our Predecessors and Affiliates

We are an affiliate of Tea Station, Inc., a California corporation ("Company") and commonly owned by the President of Franchisor. Company was established in 1996 in California and owns and operates one (1) Outlet in Southern California as of January 2020. The first "Tea Station" Outlet in the United States was opened in October 1995.

Company is affiliated with Ten Ren Enterprise (Taiwan), which was established in 1954 and is a listed company in Taiwan having a total of 185 franchise Outlets worldwide which operate under the name "Ten Ren's Tea." Ten Ren is Our "Predecessor". Predecessor together with the Company shall be referred to herein as, "Affiliates."

Our agents for service of process are listed on Exhibit F. Neither We nor the Company conduct any other business or have sold franchises for any other lines of business.

The Franchises Being Offered

Outlets offer a wide assortment of tea drinks from bubble tea ("boba") milk tea or tapioca milk to green tea, Taiwanese "icies", milk shakes, ice creams and Taiwanese teas. Light meals called "Snacks" will be served but no alcoholic beverages. The menu is enhanced with pictures of each available item. Approximately 70% of Outlets' sales are tea products. A franchised Outlet will also sell "snack" food products, which contain some proprietary ingredients.

A franchised Outlet is similar to the existing Company Outlets but may offer less food items and not contain a section for preparation of medicinal teas. Each Outlet follows a system (the "System") developed by the Company and Us. The System includes a menu of specialty tea items and related products, recipes and unique names for such products, special food preparation techniques, attractive employee clothing, a training program which includes instructions in the preparation of Our food products, suggested sales presentations and techniques, distinctive interior designs, menu forms, advertising artwork and other materials and other business procedures together with an Outlet Operations Manual (the "Manual").

The size of each Outlet is approximately 1,500 square feet, seating up to 45-50 persons. Outlets emphasize well-trained, efficient and extremely personable managers and servers and serve very high-quality beverage and food products. Outlets employ an average of 10 full-time persons.

Several of Our menu items include proprietary ingredients and some supplies use Our Marks. You must buy these items from Us or the Company. See ITEM 8 below.

Our Franchise Agreement has an initial term of 3 years and is renewable for one additional 3-year term (or the term of the Outlet's lease, if shorter). The initial fee is $50,000 for each Outlet plus a $7,500 training fee; the monthly royalty is 4% of Gross Sales. A copy of the Franchise Agreement is attached as Exhibit B.

We have a Franchise Development Committee, which has the exclusive authority to approve all new franchises. You must first be provided with a copy of this Disclosure Document at least 14 days prior to submitting a Franchise Application and/or paying any franchise fees. You will then file a Franchise Application (Exhibit A) and pay a deposit of $25,000, which will be refunded in full if You are not approved for a franchise and refunded less Our expenses if You fail to successfully complete Our training program.

If the Franchise Development Committee approves the Franchise Application, We will sign it and return a copy to You. The Franchise Application then becomes a contractual commitment between You and Us, subject to the conditions in the Franchise Application, such as Your completion of training, obtaining all necessary permits and licenses for the new Outlet and payment of the balance of the initial franchise fee.

Competition

The market for Your products is primarily the general public and specifically that segment that seeks to purchase food snack and tea beverage items.

The food service and beverage businesses are highly competitive. You will compete with a variety of beverage and food service establishments which may have financial, personnel, and technical resources far greater than Us or You, including large beverage chains and fast food chains. Some of these are large, international companies. Others are locally owned and operated. The food and beverage service industry can be affected significantly by many factors, including changes in local, regional or national economic conditions, changes in consumer tastes, and increases in the number of, and particularly location of, competing well established independent restaurants as well as other stores and take-out facilities selling varieties of food and other specialty drinks and desserts. You will compete for business in this highly competitive environment.

Industry Regulation

Development and operation of food service and beverage outlets are highly regulated at the federal, state and local levels. These include design and construction requirements and permits, Outlet health, safety and sanitation, employee tip reporting, employment conditions, alcohol and tobacco sales and usage, waste and hazard materials handling and storage, advertising, access for disabled persons, advertising and food product labeling and menus. You should investigate the applicability of these and possibly other regulations in the area in which you are interested in locating Your Outlet and should consider both their effect and the cost of compliance. You will need a business license, reseller's permit, health department license, and possibly other licenses and permits. It will be necessary for You to obtain permits from a number of government agencies to construct Your Outlet, and You will need to comply with health, fire, safety, disabilities and other requirements.

ITEM 2. BUSINESS EXPERIENCE

TEA O'LA, INC.

Our directors, principal officers and other executives are:

<u>President, Secretary, CFO, and Director:</u> Yu-Liang "Jimmy" Huang

Mr. Huang has held these positions since Our formation. He has been employed in the same positions with the Company at its corporate office in California since its inception.

We do not employ any franchise brokers.

ITEM 3. LITIGATION

On or about April 12, 2022, and June 8, 2022, the Department of Financial Protection and Innovation ("Department") issued Requests for Documents requiring Franchisor to produce any and all copies of FDD receipts collected from the California Stores franchisees, records of franchise sales, and cancelled checks and other financial information from the California Stores franchisees and/or prospective franchisees to show payments made to Franchisor. Franchisor failed to produce the requested books, records, documents and accounts of franchise sales because Franchisor did not possess and/or maintain the requested books, records, documents and accounts. On or about September 30, 2022, a Consent Order was entered into between the California Commissioner of Financial Protection and Innovation ("Commissioner") and Franchisor to resolve the issues before the Commissioner in a manner that avoids the expense of a hearing and other possible court proceedings, protects consumers, is in the public interest, and is consistent with the purposes and provisions of the applicable law.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FRANCHISE FEE

<u>Initial Fee</u>

The initial fee for each new franchise Outlet is $50,000.00 plus a $7,500.00 training fee. You must first be provided with a copy of this Disclosure Document at least 14 days prior to submitting a Franchise Application and/or paying any franchise fees. You must pay Us $25,000 as payment towards the initial franchise fee when You submit a Franchise Application and the Training Fee before You start training. You will then pay Us the balance of the initial franchise fee in full at the time the Franchise Agreement is executed, which will be after site approval and training and before opening Your Outlet. If You are not approved for a franchise, We will return your initial deposit. If You fail to successfully complete Our training course, We will return the amount You paid Us less Our expenses. If You have not within six (6) months after signing the Franchise Agreement obtained Our approval for the site of Your Outlet, the Application will be considered as abandoned and no refunds will be made. There are no refunds of these payments except for errors.

We will make the refund to You after You sign documents acceptable to Us, including release, indemnification, and protection of Our confidential information, which We may release to You during the training.

Layout Fees

You must use a licensed architect we approve at your expense to conduct a site survey and to prepare as-built drawings for the Franchised Location after you sign a Lease for your Franchised Location and must submit the same to us within 60 days of receiving site approval from us. Following our receipt of these materials, we will provide you with a preliminary floor plan layout and storefront rendering for the Franchised Location based upon your as-built drawings, and with our prototype design development package. You must pay us $5,000 for the preparation of the preliminary floor plan layout and storefront rendering when the as-built drawings are delivered to you. This fee is fully earned by us when paid and is not refundable under any circumstances.

Training Fees

A one-time training fee of $7,500 (“Training Fee”) shall be due to us when the Initial Franchise Fee is due and payable to us. The training program covers a 5-week training course at the Company Outlet located in San Gabriel for up to 2 persons.

Product Purchase Deposit

You will pay us a $10,000 product purchase deposit when signing your Franchise Agreement. This deposit will be applied to any invoices due to us for products which remain unpaid for more than 30 days. If you fail to make a payment or make a late payment, we will be entitled to deduct amounts owed to us from this deposit. You must replenish the deposit on demand. If any amount of this deposit remains at the termination or expiration of the Franchise Agreement, the balance will be returned to you.

Different Fees

The Initial Franchise Fee, layout fee, Training Fee, and product purchase deposit are uniform to all parties applying to purchase a new franchise Outlet. We may, however, reduce, defer or waive the Initial Franchise Fee, Initial Development Fee, and Master Franchise Fee if and when we determine it is warranted by a unique or compelling situation at our sole and absolute discretion. No deviations from the standard fees were made in the last fiscal year.

ITEM 6. OTHER FEES

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Franchise Royalty Fee	4 % of Gross Sales	Weekly	"**Gross Sales**" are all amounts accrued for sales in or from the Outlet. Gross Sales does not include sales taxes or proceeds from the sale of furniture, equipment or similar items used in the Outlet. These fees must be paid to Us by the third day of the following week or as otherwise specified in Our Manual.
Additional Training Fee	$1,000.00	Prior to Training	The $7,500 Training Fee is for up to two persons. There will be an additional $1,000 fee for each additional person. Continuing training courses are tuition-free unless We are charged by third parties for use of facilities or personnel. If so, You must pay for your share of these charges.
Local Advertising	2% of Gross Sales	Weekly	This Marketing Fee must be either spent by You in your local market or contributed to an Advertising Cooperative if one

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
			is established in Your trade area. These fees must be paid to Us by the third day of the following week or as otherwise specified in Our Manual.
Marketing Fund Fee	Up to 2.5% of Gross Sales	Weekly	We may increase the amount of this Fee up to one time each calendar year. We will deposit the Marketing Fund Fee (2.5% of Gross Sales) into a segregated account to be used for System marketing purposes. See ITEM 11. These fees must be paid to Us by the third day of the following week or as otherwise specified in Our Manual.
Required Materials	Reasonable Cost	As required by approved supplier or Us	You must purchase proprietary ingredients and trademarked products from Us or a supplier approved by Us. These materials also include our Outlet plans and specifications which You must buy from Us or the Company and have revised as necessary for Your site (subject to Our

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
			approval).
Product Purchases	Varies	On demand	
Additional Training (periodic training seminars)	$500 per program	Prior to Training	
Supplier Approval	$500.00	When applied for	This fee is only required if You decide to propose another supplier for Our approval.
Intranet Maintenance Fee	May vary from year to year, not to exceed $1,000	Upon invoice	
Website Maintenance Fee	May vary from year to year, not to exceed $1,000	Upon invoice	
Late Fees	$150.00 plus interest on late amounts at 10% or highest legal rate	Upon invoice	
Attorney Fees	Reasonable amount to prevailing party in any legal proceeding	Upon conclusion of proceeding	
Transfer Fee	25% of then current Initial Franchise Fee	Before actual transfer	
Renewal Fee	$10,000.00	Prior to Renewal	
Audit	Reasonable Accounting and Legal Fees	Upon invoice	In addition to any additional fees found due as a result of an audit of Your financial records, You must pay Us Our Audit Fees if You have understated Gross Sales by more than 2% of the actual Gross Sales found by the audit.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT:

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee and Training Fee (1)	$57,500	Lump Sum	In Full Prior to Opening Outlet	Us
Lease Deposit (2)	$10,000 to $20,000	Lump Sum	Signing of Lease	Lessor
Utility and Other Security Deposits	$1,000 to $2,000	Lump Sum	Obtaining services	Utilities
Permits and Licenses	$15,000 to $20,000	Lump Sum	Upon invoice	Government Agencies
Leasehold Improvements	$100,000 to $130,000	As Negotiated	Prior to Opening Outlet	Suppliers and Contractors
Layout Fee	$5,000	Lump Sum	Signing of Franchise Agreement	Us
Signage	$3,000-$5,000	As Incurred	Upon Invoice	Supplier
Equipment	$20,000 to $40,000	As Negotiated	Upon Invoice	Suppliers
Furniture and Fixtures	$30,000 to $76,500	As Incurred	Prior to Opening Outlet	Suppliers
Training Travel to and Living Expenses (3)	None to $2,000	As Incurred	During Training	Airlines, Hotels and Outlets
Initial Inventory (4)	$3,000 to $6,000	Lump Sum	Upon Invoice	Suppliers
Product Purchase Deposit	$10,000	Lump Sum	Signing of Franchise Agreement	Us
Grand Opening	$1,500-$3,000	As Incurred	Prior to Opening	Suppliers
Miscellaneous (5)	$2,000 to $3,000	As Incurred	Prior to Opening	Suppliers, Utilities, Us, Etc.
Additional Funds – Three Months (6)	$40,000 to $70,000	Lump Sum	Prior to Opening	Employees, Suppliers, Utilities
TOTAL (7)	$300,000-$450,000			

PLEASE SEE THE IMPORTANT FOOTNOTES ON THE NEXT PAGE.

FOOTNOTES:

(1) You must first be provided with a copy of this Disclosure Document at least 14 days prior to submitting a Franchise Application and/or paying any franchise fees. You must then pay 1/2 of the Initial Franchise Fee when You submit Your Franchise Application and the balance when You sign the Franchise Agreement.
(2) These estimates are the initial lease costs and are based on the assumption that You will lease Your Outlet. If you purchase the land and/or building, the cost will be substantially more and vary widely based on the regional area and the specific location of the premises. A typical Outlet contains approximately 1,500 square feet of indoor space. Most Outlets are located within small shopping centers. A lease normally requires payment of the first month's rent and a deposit equal to a second month's rent.
(3) You must pay for the expenses of attending training, such as lodging, meals, transportation and wages of trainees. This estimate is based upon training up to two persons for 5 weeks.
(4) The initial inventory consists primarily of tea, food, other beverages, uniforms and supplies. The amount will vary depending on the anticipated sales volume as well as current market prices.
(5) You should have funds for one year's estimated insurance premium for property and liability insurance. The cost of insurance varies depending on many factors such as driving records and where the driver lives. You should contact your insurance agent and obtain an estimate of Your actual insurance costs. You must obtain all necessary business permits, franchise and approvals to operate the Outlet. This category includes various items such as permit and license fees, legal and accounting fees and environmental impact fees.
(6) This category includes estimated amounts needed in total for payroll, utilities, vendor, advertising, promotion and similar costs during the initial phase of a new Restaurant. Your costs will depend on factors such as how much You follow the System and its procedures, the local market for Restaurant products, the prevailing wage rate, competition, and the sales level reached during the initial 3-month period.
(7) Except for security deposits, none of the above payments are expected to be refundable. We will not finance any of these payments. We prepared these estimates based on our own experience. You should not plan to draw income from the operation during the start-up and development stage of your business, which could be longer than the three months covered by the table. You should have additional funds available, whether in cash or through a bank line of credit, or other assets which you may liquidate or against which you may borrow, to cover other expenses and other operating losses during your start-up and development stage, or beyond. Except for security deposits, none of the above payments are expected to be refundable. We will not finance any of these payments.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

Goods, Services, Supplies, Fixtures, Equipment, Inventory, Real Estate to Establish or Operate the Franchised Business

Real Estate. You are solely responsible for locating your Outlet site, subject to our acceptance. Unless we notify you in writing, within 30 days after you have submitted a site presentation package for a proposed site, or 10 days after receipt of additional information which we request, whichever is later, that the proposed site is acceptable, the site will be deemed rejected. If your Outlet has not yet been constructed, or does not meet our current standards for new TEA STATION Outlet, you must cause the Outlet to be constructed, equipped and improved in compliance with our specifications set forth in the Manuals. You may not relocate your Outlet without our prior written consent.

If you do not already have a location when you sign your Franchise Agreement, you must lease a site for your TEA STATION Outlet promptly following signing the Franchise Agreement. You must submit your proposed lease to us for approval at least 15 days before you sign it, and provide a fully signed copy within 15 days following signing. Our acceptance of your lease is based solely on our own interests and does not represent any guarantee or endorsement by us of the Outlet or confirmation that the lease complies with applicable law or that the terms of the lease are favorable to you. If we accept the proposed site, we will notify you of our preliminary acceptance of the site, subject to our further analysis, your successful negotiation of a final law or purchase agreement acceptable to us, and other reasonable conditions we may impose. Your lease must not (a) obligate us in any manner, or (b) contain any provision inconsistent with your Franchise Agreement, including the Lease Rider. In addition, your lease must provide for the following: (a) that the initial term of the Lease, or the initial term together with extended terms, must be for not less than 3 years; (b) consent to your use of our Proprietary Marks and signage as we may require for the Outlet; (c) a restriction on the use of the leased premises solely to the operation of the Franchised Business; (d) a prohibition on any subleasing or assigning of the Lease without our prior written consent; (e) that the landlord must provide us with copies of any and all notices of defaults given to you under the Lease; (f) a provision granting us the right to enter the Outlet to make modifications necessary to protect the Proprietary Marks or the System, or to cure any default under your Franchise Agreement or under the Lease; and (g) a provision granting us or our designer the option, exercisable within 15 days after receipt of any notice of default or termination from the landlord, without the landlord's further consent, to assume all of your rights under the Lease, including the right to assign or sublease the Outlet and the right to exercise all outstanding renewal options in accordance with the provisions of the Lease.

You must construct, equip and improve the Outlet in compliance with our current design standards and trade dress. You may employ any architects and general contractors you desire, subject to our prior approval, and all plans and modifications to the Outlet must be submitted to us for our review and acceptance before you start construction. Unless we notify you in writing that the plans and modifications are accepted, they will be deemed rejected. We reserve the right, but not the obligation, to grant you written authorization to open your Outlet for business, which may be subject to our satisfactory inspection of the Outlet.

Goods, Supplies, Inventory, and Services. You must serve all and only the products we authorize. You must purchase and maintain in inventory Proprietary Products as needed to meet reasonably anticipated consumer demand. You must purchase our branded products, including the tea products, syrups, certain menu ingredients, cups, bags, teapots, to go cup sleeves, napkins, chopsticks, small ware, serving dishes and tableware, uniforms, and other supplies exclusively from Us, the Company, or the approved suppliers listed in the Manual which we have approved.

We may specify (i) certain beverages, food products, and other ingredients, which are produced or manufactured in accordance with our trade secrets, proprietary recipes, specifications and/or formulas, and (ii) certain packaging, POS Systems, computer hardware, software, modems, and peripheral equipment or other products, supplies, services and equipment. You may buy these items only from Us, the Company, or from our designated suppliers. If you purchase any items from Us or the Company, we or the Company may derive profits from these purchases. We will not be obligated to reveal our trade secrets or the recipes, specifications and/or formulas of Proprietary Products to you or any third party.

We may designate certain non-proprietary food products, beverages, ingredients, fixtures, furnishings, equipment, uniforms, supplies, paper goods, menus, packaging, forms, computer hardware, software, modems and peripheral equipment and other products, suppliers, services, and equipment, other than Proprietary Products, which you may or must use or sell at the Outlet. You may use, offer, or sell only those non-proprietary products that we expressly authorize and may purchase them from (i) Us or the Company, (ii) suppliers we designate, or (iii) suppliers you select that we approve in advance in writing.

Equipment & Fixtures. You must purchase and install, at your expense, all fixtures, furnishings, equipment (including a point-of-sale cash system), décor, and signs as we direct. You may not install any merchandise, furnishings, interior or exterior décor items, supplies, fixtures, equipment or utensils in your Outlet unless they have been approved by Us in writing. You must purchase these items from an approved supplier. You are not obligated to purchase from a particular approved seller, but must use specific brands of equipment, and in some cases certain comparable brands of equipment may be acceptable, subject to our prior written approval.

Computer Equipment. You must currently purchase or lease a POS computer system and use the required financial reporting and inventory control software, or any other brand we approve, which meets the specifications then set forth in our Manuals. You must maintain your computer system in good repair and working order, including installing program software updates we specify or supply or require you to purchase from approved vendors (See Item 11).

Approval of Suppliers. We, the Company, the Predecessor, and those suppliers approved and identified in the Manual are approved suppliers and may sell certain supplies, inventory, mixes, syrups, ingredients, other food products, packaging and other materials to you and our other franchisees.

We will provide you with our Manual and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of products and services. Upon request, we will furnish to you an approved list of suppliers which we may update periodically. You must operate your Franchised Business in strict compliance with the standard procedures, policies, rules and regulations contained in the Manual.

If you desire to purchase products from other than our approved suppliers, you must submit a written request to us for approval of the proposed supplier, together with any evidence of conformity with our standards and specifications as we may reasonably require, or shall request the supplier itself to do so. We may inspect and evaluate the supplier's facilities and products before we approve or disapprove your proposed supplier, and you must pay all of our reasonable costs and expenses incurred in doing so. You may not use a supplier before we approve the supplier in writing. A supplier must demonstrate to our reasonable satisfaction that it can supply an item meeting our standards and specifications for the item, that it is in good financial standing in the business community and that its products and services are reliable. We will provide you with our specifications and standards, and our criteria for approval of suppliers and will approve or disapprove a proposed supplier in 60-90 days. We will notify you if and when we no longer approve a previously approved supplier. A supplier must continually adhere to our standards and specifications to maintain its approval. To purchase items from us or any of the approved suppliers, including the Company and/or the Predecessor, you must use the form of purchase order we provide. We may change our prices, delivery terms and other terms upon prior written notice, but our prices to you will be the same as the prices charged to similarly situated franchisees. We may negotiate purchase arrangements with primary suppliers for the benefit of franchisees. If we negotiate a purchase agreement for the region where your Outlet is located, you must participate in the purchasing program.

We estimate that 80-90% of your expenditures for leases and purchases in establishing your Outlet and on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by Us, or which must meet our standards or specifications).

You will not receive any material benefits from us or any supplier other than as described above. We derive no benefit from purchases made by franchisees other than from our or our Affiliate's sale of the supplies and ingredients above described to you, which is sold to you at our wholesale cost plus a reasonable markup, nor do we provide or withhold material benefits to you based on whether or not you purchase through the sources we designate or approve (except, that your purchase of items from unapproved suppliers would breach your Franchise Agreement and subject you to possible termination and other remedies under applicable law).

Presently, there are no purchasing or distribution cooperatives, but we reserve the right to institute them in the future.

<u>Insurance</u>. You must obtain and maintain during the term of the Franchise Agreement (and the Sublease, if applicable) insurance policies protecting you, us, and the Company. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the Store is located and with a rating of "A" or better. These policies must include the coverage required by us and the Company which generally include: (a) "all risk" property insurance, including business interruption insurance, customarily obtained by similar businesses in the principal trade area; (b) comprehensive general liability insurance, including products and contractual, in an amount of not less than $2,000,000 combined single limit; (c) workers' compensation insurance for statutory limits and employer's liability insurance in an amount not less than $1,000,000. At least 10 days before any insurance is first required to be carried by you, and after that at least 30 days before the expiration of any policy, you must deliver

to us, certificates of insurance evidencing the proper types and minimum amounts of required coverage. If you do not maintain the required insurance, we may obtain the insurance for you and charge you for its cost as well as our costs to obtain it. We will not derive income from purchasing insurance for you.

We will lend you a Confidential Business Operations Manual which will contain specifications and parameters developed by us and which you must strictly follow. The recipes, formulations, and specifications of all TEA STATION Proprietary Products are trade secrets belonging exclusively to Us. Any purchases of unapproved products or from unapproved suppliers in violation of the Franchise Agreement will entitle us, among other things, to terminate your Franchise Agreement.

As we assess consumer preferences and trends in the marketplace and develop new marketing techniques, products, and services, we anticipate that we will create and modify our standards and specifications and our approved suppliers, and we will notify you of these developments through amendments to our confidential Manual, newsletters, or other forms of literature.

ITEM 9. FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT AND FRANCHISE APPLICATION. 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 Agreement	Item in Disclosure Document
a. Site Selection and acquisition/lease	Franchise Agreement: §§1.2, 7.12	Items 8, 11
b. Pre-opening purchases/leases	Franchise Agreement: §§1.2, 5.4	Items 7, 11,
c. Site development and other pre-opening requirements	Franchise Agreement: Article 5	Items 1, 5, 7, 11
d. Initial and ongoing training	Franchise Agreement: Article 6	Items 1, 5, 6, 7, 11, 17
e. Opening	Franchise Agreement: Article 5	Items 1, 5, 7, 11
f. Fees	Franchise Agreement: Article 2	Items 1, 5, 6, 7

g. Compliance with standards and policies/Manuals	Franchise Agreement: Articles 4, 5, 6, 7, 8, 9	Items 1, 8, 17
h. Trademarks and proprietary information	Franchise Agreement: Article 18, §9.2	Items 13, 14
i. Restrictions on products/services offered	Franchise Agreement: §§7.4, 7.5	Items 8, 16
j. Territorial development and sales quotas	Franchise Agreement: §1.3	Items 1, 12
k. Ongoing product/ service purchases	Franchise Agreement: §§7.4, 7.5	Items 8, 16
l. Maintenance, remodeling requirements	Franchise Agreement: §§§7.7, 7.8, 7.9	Items 11, 17
m. Insurance	Franchise Agreement: Article. 12	Items 7, 8
n. Advertising	Franchise Agreement: Article 11	Items 6, 7, 11
o. Indemnification	Franchise Agreement: Article 19	Items 5, 13
p. Owner's participation/ management/staffing	Franchise Agreement: §7.10	Item 15
q. Records/ Reports	Franchise Agreement: Article 10	Items 6, 11
r. Inspections/Audits	Franchise Agreement: §10.6	Items 6, 17
s. Transfer	Franchise Agreement: Article 13	Items 6, 17
t. Renewal	Franchise Agreement: §2.2	Items 6, 17
u. Post Termination obligations	Franchise Agreement: Article 15	Item 17
v. Confidentiality and Non-competition covenants	Franchise Agreement: Article 9, §§§16.1, 16.2, 16.3	Items 5, 17
w. Dispute resolution	Franchise Agreement: §23.2	Item 17
x. Guaranty		Exhibit D

ITEM 10. FINANCING

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

ITEM 11. FRANCHISOR'S OBLIGATIONS

Except as listed below, We need not provide any assistance to You.

A. Pre-opening. Before You open your business, We will:

1) Conduct an operations training course for You (Franchise Agreement, Section 6.1).

2) Loan You a copy of the Manual, in written and/or electronic form. (Franchise Agreement, Section 3.4). The table of contents of Our Operation Manual is Exhibit G. The Manual consists of approximately 100 pages. You must keep the contents confidential and may not copy, reproduce or divulge any of the information contained in the Manual as it contains proprietary information. You must sign a confidentiality agreement regarding the Manual prior to the release of the Manual to You. We may add to, delete, supplement, or otherwise modify the contents of the Manual. You must promptly insert any revised pages or other forms of supplements into the loaned copy of the Manual. In any dispute about the contents of the Manual, our master copy will control. You must operate the Outlet in compliance with all the contents of the Manual.

3) Develop an advertising program designed for Your Outlet's initial opening (Franchise Agreement, Article 11).

4) Provide You with assistance in locating the site for Your Outlet (Franchise Agreement, Section 1.2)

5) Assist You in planning Your grand opening program (Franchise Agreement, Section 11.5).

6) Assist You in commencing business at Your Outlet by coordinating its pre-opening activities and being available to assist with its operations for the first month of business, as reasonably needed in Our opinion (Franchise Agreement, Article 3).

B. Post-opening. During the operation of your Franchised business, We will:

1) Assist You with operating Your Outlet, including periodic visits by Our representatives at our sole discretion (Franchise Agreement, Section 4.1).

2) Assist You in opening your Outlet by coordinating its pre-opening activities and being available to assist with its operations for the first month of business, as reasonably needed in Our opinion (Franchise Agreement, Section 4.1).

3) Make available additional training programs as We deem appropriate (Franchise Agreement, Section 6.1).

4) Develop and administer at Our discretion advertising and promotion programs designed to promote the collective success of all Outlets (Franchise Agreement, Article 11).

Marketing Fund. We will provide advertising materials and services to You. We conduct advertising at a trade level to encourage the customer base to use Our services in preference to the competition. We may also use premium incentives and product awareness campaigns in advertising and promotion. Whenever possible, the material will be produced in-house or provided by approved vendors. Advertising media may include print, radio or television, primarily local in scope.

You may develop advertising materials for Your own use at Your own cost. We must approve the advertising materials in advance and in writing. We do not restrict Your use of electronic media, including the Internet, so long as You properly use Our Marks and System, and obtain Our prior written approval. Your advertising must be in good taste and conform to ethical and legal standards and Our requirements. You agree not to use any materials or programs disapproved by Us at any time and You must use all materials and programs designated by Us as mandatory. We can require that a brief statement regarding the availability of Tea Station franchises be included in advertising used by You and/or that brochures regarding purchase of Tea Station franchises be displayed in Your Outlet.

Any use of the Internet, World Wide Web or other electronic media by You in connection with Your Outlet will be as specified by Us in our business judgment periodically, whether in the Manuals or otherwise. Among other things, We can require that any use be through Us, using a designated Internet/ Intranet Service Provider (which can be Us or an Affiliate), and that all pages be accessed through a designated site and/or meet Our specifications. In this event, We can require You to pay a monthly service fee of $50, which We can collect in advance on an annual or other basis. This fee is subject to annual adjustment by Us.

If and when We establish a Marketing Fund, You must pay Us Marketing Fund Fees of up to 2.5% of Your Gross Sales (plus possible annual increases). No company- or affiliate-owned outlet is required to contribute to the Marketing Fund. We have not yet established a Marketing Fund for Tea Station Outlets. We will administer the Marketing Fund and spend Marketing Fund Fees only for the purposes described in the Franchise Agreement and following procedures contained in the Marketing Fund Policy described in the Manual. We are not required to spend funds from the Marketing Fund in any designated area or to ensure that You receive equal benefit from expenditures. We will not use any monies from the Marketing Fund to solicit the sale of Our franchises. The monies in the Marketing Fund will generally be spent in the same fiscal year as they are accrued. Any unused funds will be spent in the next year. You may request an accounting of advertising expenditures at any time during normal business hours and obtain a written accounting within two weeks.

Local Co-Op Marketing Fund. We require that You and other franchisees spend up to 2% of Gross Sales as minimum amount for marketing Your Outlet in Your trade area. You must join an advertising cooperative ("Co-Op") if one is organized in Your area, in which case You must fully participate in the Co-Op and make contributions to it in whatever amount the members of the Co-Op determine provided that such amount is not less than 2% minimum marketing amount. Contributions to the Co-Op will be credited against Your local marketing obligation. No company- or affiliate-owned outlet is required to contribute to any Co-Op. We will administer the Co-Op and spend Marketing Fund Fees only for the purposes described in the Franchise Agreement. We may change, dissolve, or merge Co-Ops in our sole discretion. A copy of the governing documents of the cooperative (if one has been established) is available upon request.

5) Maintain the Marketing Fund and use these funds to pay for promotion and advertising programs for Outlets (Franchise Agreement, Article 11).

6) Deposit Marketing Fund Fees received into a separate account (Franchise Agreement, Article 11).

7) Designate a record keeping system, forms and procedures which You must use in your business (Franchise Agreement, Section 10.1). In particular, Your Outlet must have a point of sale and computer system as specified in the Manual, which will operate software designated by Us and allow You to participate in the Network. We will have direct access to Your registers and be able to download data on sales from Your store and other information logged by the registers at Our sole discretion. There is no limit on Our right to access this information. Your Outlet must also have one or more modems, a handheld device, a telefax machine and a telephone answering machine. We may require you to upgrade or update the computers, other hardware, programs, telefax machine, and telephone answering machine, with reasonable limitation on the frequency or cost of this requirement. You are responsible for installing a high-speed modem hook up and other utilities for the Outlet. All of the designated equipment and software is available generally at competitive prices. We do not warrant or have any responsibility for the software or hardware You must obtain. Any warranty You may have on the equipment or software will be limited to that provided by the applicable manufacturer or licensor.

You are responsible for the purchase, installation, operation and maintenance of the point of sale equipment and software needed for the operation of Your Outlet, including the related accounting and administrative operations. You must purchase the point of sale equipment and software from Our approved manufacturer. We have one approved manufacturer for this system/ software which is OPUS located at 398 Lemon Creek Dr. #H, Walnut, CA 91789, telephone number (909) 598-3600. The cost to purchase the required point of sale equipment and software will be approximately $3,500-$4,000. You are required to update or upgrade Your equipment, software and third-party processing services at Your own expense. There are no contractual limitations on the frequency or cost of updating or upgrading these items. You should obtain cost information from Your equipment, software and third-party processing vendors. Your Outlet will require the following equipment, software and third-party processing services:

System	**Purpose**
Point of Sale- hardware (including printers and credit card devices) and software	Cash control, customer payment processing, sales processing, and sales tax accounting
Point of Sale electronic processing services for credit cards, debit cards and other payment media	Accept customer payments for goods and services purchased from You
General accounting system or third-party accounting service provider	Maintain Your accounting records for management, tax, and legal purposes, payment of expenses and other liabilities
Payroll accounting system or payroll service	Pay Your employees, maintain required tax, personnel and payroll records
Personal computer with high speed always-on Internet service and networking	Access to financial and management data; Your access to data; Our access to Your data
General office systems (such as Microsoft Word, Outlook, Excel and Internet Explorer)	Management and general office tools
Internet security, virus protection	Computer security protection

The required computer hardware and software will collect and make available to You and to Us information about Your Outlet, including sales, and purchase, inventory, profitability and expenses, including payroll and employee information. Under the Franchise Agreement, We have unlimited independent access to the information for any proper purposes. Except as legally required, or as may otherwise be required under the Franchise Agreement, We will not provide the information to any other person except in summary or statistical formats with Your identifying information removed.

None of the above equipment and systems are proprietary properties of Us or Our Affiliates, and We are not obligated to provide or assist You in obtaining the above items or services.

8) Make periodic visits to Your Outlet as We deem advisable (Franchise Agreement, Section 10).

C. Site Selection. We will help You select a site for Your Outlet. This normally takes less than 120 days. If You have not within six months after signing the Franchise Agreement obtained Our approval for the site of Your Outlet, the Franchise Application will be considered as abandoned and no refunds will be made.

We will consider as part of site approval a number of factors such as potential customer density levels, assessment of a demographic study of the customer mix compared to existing profiles already established by Us, assessment of competitor activity, traffic patterns of the area as well as specific size, patio availability, parking and other physical characteristics of the proposed site itself.

D. Time Before Opening. We believe that based upon the experience of the Company, You should typically open an Outlet 180 days after execution of the Franchise Agreement and payment of the balance of the initial fee. This length of time may be affected by factors such as difficulties in obtaining a lease for an acceptable warehousing premises, building or sign permits or delays caused by zoning or local ordinances, weather conditions, labor strikes, shortages of products and installation of equipment, fixtures and signs.

E. Training. As of January 2021, Our franchise training program consisted of four weeks of training according to the following general outline:

SUBJECT	HOURS OF ON THE JOB TRAINING*	LOCATION	INSTRUCTORS
Orientation, Company Operations, Management, Marketing	3 hrs.	Temple City Retail Location	Abraham Kao
Outlet, Management, Operations	2 hrs.	Temple City Retail Location	Abraham Kao
Equipment, Food Prep, Inventory Control, Customer Service	85 hrs.	Temple City Retail Location	Allan Chen/ James Kao
Front Counter Operations	5 hrs.	Temple City Retail Location	Abraham Kao/ James Kao
Kitchen Operations	35 hrs.	Temple City Retail Location	James Kao

*All times are approximate and We may adjust them based upon Your experience and rate of learning. Although the person(s) indicated will coordinate and be responsible for training, they may bring in other appropriate persons to actually conduct the training or some portion of it.

NOTES:

(1) We expect to conduct these training courses several times each year. All of the above training must be successfully completed before signing the Franchise Agreement and opening of Your Outlet. Training will be conducted at Our headquarters in San Gabriel, California, and at one of the Company's Outlets.

(2) We may terminate the Franchise Application if You fail to successfully complete this training course, in which event You will receive back one half of the Initial Franchise Fee less Our expenses. We will deem You to have successful completed the training course, if You complete at least 125 hours of on the job training.

(3) We will provide Our operations training course to You and/or Your designated Principal as soon as possible after Your Franchise Application has been approved, depending primarily on when You and Your representatives are available. You must pay for the travel and living expenses for you and your employee(s). You and Your manager must successfully complete the initial training program to Our satisfaction before starting operations. We generally require training to be completed at least two weeks before opening.

(4) The instructors listed above have each had at least 10 years of experience in the food and beverage business with Us or with other food and beverage retailers. The nature of the instructional materials used will be in the form of lectures, written exams, in-store training, and references to the Manual.

(5) We require that Your personnel personally attend refresher training courses covering operations and new product or procedure introductions.

(6) We may develop audio-visual and other training materials at a reasonable charge.

F. Operations and Other Manuals. You may review the Manual before purchasing a Franchise. However, You may not copy any of the information contained in the Manual as it contains proprietary information. You must sign a confidentiality agreement regarding the Manual.

ITEM 12. TERRITORY

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

You must operate Your Outlet at a specific location selected by You and approved by Us. You may not relocate the Outlet without our written consent which we will not unreasonably withhold. We do not grant You any protected radius or other territorial rights and thus the granted territory under the Franchise Agreement will not be exclusive. There is no minimum sales quota. We do not currently grant You any option, right of first refusal, or similar rights, however, We may award You additional Territory or franchises, but only at our sole discretion.

The Franchise Agreement does not restrict Us from establishing other franchises or company-owned Outlets or other channels of distribution selling or leasing similar products or services under a different trademark. We do not intend to do so.

Your use of the Internet, World Wide Web, and other electronic or other means of marketing and distribution of goods and/or services can be restricted by Us in Our business judgment. As a pre-opening condition You must have provided Us with the information for Us to complete and upload Your approved Outlet location and contact information on Our Tea Station website located at (www.teastation.us). You will not market or sell through any venue(s) or channels of distribution other than Your Tea Station Outlet without Our written permission.

We have the sole and exclusive right to pre-package or sell pre-packaged products or beverages under Our trademarks. You will not receive any of these rights. We reserve the right: (1) to use or license others to use Our name and other trademarks to distribute frozen or other pre-packaged food products; (2) to establish "Alternative Outlets" (distribution outlets which are not Outlets but involve the sale of similar products using Our trademarks); and (3) to grant franchises for any Alternative Outlets which are controlled by governmental boards, agencies or authorities that favor ownership by certain groups or individuals, such as airports, private or public schools, universities and sports facilities. Alternative Outlets may include catering or delivery outlets, portable carts or vehicles, kiosks and locations within grocery, convenience and other retail stores.

In Your Territory, We will have the unrestricted right and ability to sell Our Products, directly or indirectly through third parties, to wholesale accounts (restaurants and food service organizations who sell or serve Our Products, but do business under a name other than “Tea Station”) and You will not be entitled to any compensation in connection with such sale.

ITEM 13. TRADEMARKS

You will receive the right to operate under the name TEA STATION. You may also use other current or future Marks (the "Marks") to operate Your Outlet. By Marks, We mean trade names, trademarks, service marks and logos used to identify and operate Your business. We have registered the following Mark on the United States Patent and Trademark Office Principal Register:

REGISTRATION NUMBER	OWNER	MARK	WHERE REGISTERED	REGISTRATION DATE
5214347	TEA O-LA, INC.		USA	May 30, 2017

All required affidavits have been filed. You must follow Our rules when using these Marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those that We license to you. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by Us.

No agreements limit Our right to use or franchise the use of the Marks. There are no presently active determinations of the Patent Office, the Trade Mark Administrator of any state or any court, any pending interference, opposition or cancellation proceeding of any pending material litigation involving the Marks that could materially affect Your use of the Marks.

You must notify Us immediately after learning about an infringement of or challenge to your use of the Marks. We will take the action We think appropriate to protect the integrity and validity of the Marks. We are not required to take any specific action in regard to infringements involving the Marks. We have the sole right to control administrative proceedings or litigation regarding any trademark infringements. We will defend You and indemnify You if You are a party to a legal proceeding involving a Mark licensed by Us and used properly by You. If we choose to defend You, You must fully cooperate with Us in the defense.

We do not know of any person claiming or having superior rights to any of the Marks or of any infringing uses of the Marks that could materially affect Your proper use of the Marks.

You must modify or discontinue the use of a trademark if We modify or discontinue it. You must pay all costs to make these changes. We have no obligation to reimburse You for any expense resulting from these changes.

On termination or expiration of the Franchise Agreement, Your right to use Our marks terminates and You must not contest Our right to the Marks, trade secrets or business techniques. Upon termination, You must not identify Yourself as a Tea Station franchisee or publicly identify Yourself, or any business entity You are then associated with, as a former Tea Station franchisee, or use any of Our confidential information or trade secrets.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright, but You can use the proprietary information in the Manual. The Manual is referred to in ITEM 11. Although We have not filed an application for a copyright registration for the Manual, We claim a copyright and the information is proprietary. ITEM 11 describes limitations on the use of the Manual by You and Your employees. You must also promptly tell Us when you learn about unauthorized use of this proprietary information. We are not required to take any action, but We will respond to this information as We think appropriate.

You must maintain the confidentiality of all proprietary information during and after the term of the Franchise Agreement. You must agree that You will not use any of the proprietary information in any other business or in any manner We do not specifically authorize in writing. You also agree to fully and promptly disclose all ideas, techniques, and other similar information relating to the franchised business that are conceived or developed by You and/or Your employees. We will have an ongoing right to use, and to authorize others to use, the ideas, etc., without compensation or other obligation.

Upon termination or expiration of Your Franchise Agreement, You must immediately return to Us your Manual and all other materials containing Our trade secrets and confidential information.

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

Unless you obtain our prior written consent, we require that you personally attend our training courses and supervise the Outlet on a full-time basis. If you are a legal entity such as a corporation, partnership or limited liability company, one of your owners (Principals) must be approved by Us to be your full-time representative and your on-premises manager must have (and continue to maintain) management control and ownership of at least 51% of the legal entity and personally manage its affairs. All of your owner(s) must personally guarantee the Franchise Agreement and sign a confidentiality agreement in our favor and agree not to compete with Us.

You may be required to participate in an in-person annual review process which may be conducted by Us.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those products and services that We have approved (see ITEM 8). You must offer all products and services that We designate as required for all franchisees. These required products and services are described in the Operations Manuals. You must obtain Our prior written approval for any other products and services to be sold by Your Outlet. In addition, you may not use your licensed Outlet for any purpose other than operation of your Outlet. You must obtain our prior written approval for any other products and services to be sold at your Outlet.

We may change the types of authorized products and services that you must offer from Your Outlet. There are no limits on Our rights to make such changes.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

Provision	Section	Summary
a. Initial Term	Franchise Agreement: §2.1	Initial term of Franchise is 3 years.
b. Renewal or extension of the term.	Franchise Agreement: §2.2	You may renew the franchise for an additional 3-year term if certain conditions are met.
c. Requirements for renewal or extension.	Franchise Agreement: §2.2	6-12 months' notice, no defaults during last 12 months, material and timely compliance with franchise during initial term, satisfied all monetary obligations owed to Us and Your suppliers, completed all required additional training, made all requested changes in operating personnel, modernized the Outlet and vehicles and other equipment, payment of renewal fee and signing of new franchise agreement and general release.

d. Termination by You without cause.	None	
e. Termination by Us without cause	None	
f. Termination by Us with cause.	Franchise Agreement: §14.1 Franchise Application:	We can terminate only if You default.
g. "Cause" defined as defaults which can be cured.	Franchise Agreement: §14.3	You have 30 days after notice to cure defaults. Includes defaults in other franchise agreements with Us. No cure period for default repeated twice within any twelve-month period.
h. "Cause" defined as defaults which cannot be cured.	Franchise Agreement: §14.2	Non-curable defaults: Failure to complete training or allow inspection, bankruptcy or similar action, material misrepresentation in obtaining Franchise, conviction of crime involving moral turpitude or failure to obtain consent to transfer rights or offer first right of refusal.
i. Obligations on termination.	Franchise Agreement: Article 15	Immediate obligations include no more use of telephone numbers, trademarks or proprietary information, remove all marks from all vehicles and other equipment, discontinue use of these telephone numbers, transfer all customer lists, contact lists or similar information to Us, return of all Our manuals, and de-identify the Outlet.

j. Assignment of contract by Us.	None	No restriction on Our right to assign.
k. "Transfer" by You-definition	Franchise Agreement: §13.5	Includes transfer of rights under Franchise Agreement and ownership change.
l. Our approval of transfer by franchisee.	Franchise Agreement: §13.2	We have the right to approve all third party transfers but will not unreasonably withhold approval.
m. Conditions for Our approval of transfer.	Franchise Agreement: §13.3	No default, assets of the Outlet in standard condition, payment of all amounts owed to Us and Affiliates, payment of transfer fee, transferee qualifies and passes training, current Franchise Agreement signed by transferee and release and non-competition agreement signed by You.
n. Our right of first refusal to acquire your business.	Franchise Agreement: §13.5	We can match any offer for the franchised business.
o. Our option to purchase your business	None	
p. Your death or disability.	Franchise Agreement: §13.6	Approval by Us of heir or sale within three months to an approved buyer.

q. Non-competition covenants during the term of the franchise.	Franchise Agreement: §16.1	No Competitive Interest (sale of automotive parts and supplies and related products) unless follows first refusal procedures as stated.
r. Non-competition covenants after the franchise is terminated, transferred or expires.	Franchise Agreement: §16.2	No competing business for 2 years within 25 miles of any Outlet in U.S. or Canada.
s. Modification of the agreement.	Franchise Agreement: §16.12	Only written and signed modifications but Manual subject to change.
t. Integration/ merger clause.	Franchise Agreement: §22.1	The agreement between the parties is limited to the agreement and other documents referred to therein. Only the terms of the Franchise Agreement 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.	Franchise Agreement: §23.1	Except for certain claims, all disputes must be mediated in county where Our headquarters are located (“Home County”).
v. Choice of forum	Franchise Agreement: §23.2	Except for injunctions, any mediation/ or litigation must be in Home County.
w. Choice of Law.	Franchise Agreement: §23.1	Law of state where Your Outlet is located applies.

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote Our franchises but may 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 Yu-Liang Huang at 5055 Walnut Grove Ave., San Gabriel, CA 91776 and (626) 288-1663, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20:
OUTLETS AND
FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2019 to 2021

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
FRANCHISED	2019	0	0	0
	2020	0	4	+4
	2021	4	6	+2
COMPANY-OWNED	2019	14	9	-5
	2020	9	1	-8
	2021	1	0	-1
TOTAL OWNED	2019	14	14	0
	2020	14	5	-4
	2021	4	6	+2

TABLE 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2019 to 2021

STATE	YEAR	NUMBER OF TRANSFERS
CA	2019	0
	2020	0
	2021	0
TOTAL	2019	0
	2020	0
	2021	0

TABLE 3
FRANCHISE OUTLET STATUS SUMMARY FOR YEARS 2019 to 2021

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS–OTHER REASONS	OUTLETS AT END OF THE YEAR
CA	2019	0	0	0	0	0	0	0
	2020	0	3	0	0	0	0	3
	2021	3	2	0	0	0	0	5
CO	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
TOTAL	2019	0	0	0	0	0	0	0
	2020	0	4	0	0	0	0	4
	2021	4	2	0	0	0	0	6

TABLE 4
STATUS OF COMPANY OWNED OUTLETS FOR YEARS 2019 to 2021

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
CA	2019	13	0	0	0	0	13
	2020	13	0	0	11	2	0
	2021	0	0	0	0	0	0
NV	2019	1	0	0	0	0	1
	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
TOTAL	2019	14	0	0	5	0	9
	2020	9	0	0	12	0	0
	2021	0	0	0	0	0	0

TABLE 5
PROJECTED OPENINGS
AS OF DECEMBER 2021

STATE	FRANCHISE AGREEMENTS SIGNED BUT BUSINESS NOT OPENED	PROJECTED FRANCHISED NEW BUSINESSS IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED BUSINESSS OPENINGS IN NEXT FISCAL YEAR
California	0	2	0
Totals	0	2	0

ITEM 21. FINANCIAL STATEMENTS

Our audited financial statements are attached as Exhibit C.

ITEM 22. CONTRACTS

Attached are the following contracts:

Exhibit A: Franchise Application
Exhibit B: Franchise Agreement

ITEM 23. RECEIPTS

THE LAST PAGE OF THE DISCLOSURE DOCUMENT (FOLLOWING THE EXHIBITS AND ATTACHMENTS) IS A DOCUMENT ACKNOWLEDGING RECEIPT OF THE DISCLOSURE DOCUMENT BY YOU. PLEASE SIGN AND DATE ONE COPY AND RETURN IT TO US, AND RETAIN A COPY FOR YOUR RECORDS.

EXHIBIT A
FRANCHISE APPLICATION

EXHIBIT A

TEA STATION® FRANCHISE APPLICATION

TO: TEA O'LA, INC. (the "**Company**")

1. Application. The undersigned ("**Applicant**") hereby applies for approval of one TEA STATION franchise for an outlet to be located as described below:

Street Address or Area: ____

City: ___________________, State:_____ (hereinafter referred to as the "**Outlet**")

2. Offering Circular. Applicant hereby acknowledges receipt of the Company's current franchise offering circular (dated ___________, 20__) at least fourteen (14) business days prior to Applicant's submission of this Application.

3. Deposit; No Refunds. Enclosed with this Application is Applicant's check in the amount of $50,000.00 as a deposit against the initial franchise fee and $7,500.00 in payment of the Company's Training Fee. Applicant understands and agrees that this deposit, the initial franchise fee and the Training Fee are NOT REFUNDABLE in whole or part under any circumstances except that the Company will refund the deposit and Training Fee in full if it decides not to approve this Application.

4. Conditions of Approval. Applicant agrees that issuance of a TEA STATION franchise is subject to the satisfaction of each of the conditions set forth below:

(a) Approval and execution of this Application by the Company;
(b) Applicant's selection and acquisition of a site for the Outlet, written approval by the Company of such site and construction of the Outlet pursuant to plans approved in advance by the Company;
(c) Receipt by Applicant of all approvals, permits, and licenses necessary to operate the Outlet at the proposed site;
(d) Successful completion of TEA STATION training by Applicant, the Outlet principals and/or manager;
(e) Execution by the parties of the then current form of TEA STATION franchise agreement following completion of training and before Outlet opening; and
(F) Satisfactory performance and cooperation by Applicant pursuant to this Application and meeting any specific conditions of approval specified below.

5. Confidential Information and Trade Secrets. Applicant agrees to maintain strict confidentiality with regard to all confidential information and trade secrets which are disclosed to Applicant in connection with the sale of a TEA STATION franchise and in training Applicant or its employees to operate the Outlet. Applicant further agrees to sign and have each of Applicant's employees who will receive training to sign the appropriate Confidentiality Agreement in the form attached to this Application and to deliver the same to the Company before training commences.

6. Site Selection. (a) Applicant acknowledges and agrees that it is the sole responsibility of Applicant to select and acquire a site which meets the Company's criteria for site approval and to follow the Company's procedures in obtaining site approval for the Outlet. In the event that the Company does assist in the site selection process, Applicant agrees and acknowledges that any such assistance or any recommendation, approval or advice must not be considered as any assurance or guarantee of success for the Outlet at such site.

(b) Applicant agrees to submit at least one site for the Company's written approval within ninety (90) days of the Company's approval of this Application and to proceed diligently to take all actions necessary to acquire the site and construct the Outlet following the Company's site approval. Any lease or purchase agreement for an outlet Site signed by Applicant must be subject to the Company's prior approval, and any lease must contain the provisions required by the TEA STATION Franchise Agreement, Lease Rider.

7. Legal Entities. If the franchise is to be assigned to a corporation or other legal entity, all of its owners must execute a personal guaranty of the Franchise Agreement. Any exceptions to this requirement must be in writing signed by the Company's President. Applicant must notify the Company in writing of any intention to transfer the franchise to a legal entity at least thirty (30) days in advance and furnish the Company with the documents required by Section 13 of the Franchise Agreement.

8. Specific Understandings by Applicant. Applicant specifically agrees as follows:

(a) Approval of this Application does not constitute the grant of a franchise, and Applicant will be entitled to execute a TEA STATION Franchise Agreement hereunder only if and when all conditions of this Application have been met.

(b) Only the Company may agree to grant a franchise or make any other commitment with regard to a TEA STATION franchise, and any such agreement or commitment must be in writing signed by one of the Company's corporate officers.

(c) The Company has authorized no one to make or agree to any oral modifications to the terms of a TEA STATION franchise agreement or to make any projections or estimates about the future earnings, sales or profits of any TEA STATION Outlet. Any such statements are acknowledged to be unreliable and have not been considered in connection with this Application or the purchase of a TEA STATION franchise.

IN WITNESS WHEREOF, the Applicant has executed this Application on the date set forth below.

"Applicant"

Date: __________________ ________________________________

____

APPROVAL BY TEA O’LA, INC.

TEA O’LA, INC. (the "Company") hereby approves the above Application and agrees to the terms thereof subject to the following additional conditions:

____

____

TEA O’LA, INC.

Date: ________________ By: ______________________________
Name: Li-Yuang Huang
Its: President

<u>CONFIDENTIALITY AGREEMENT</u>
(Employee)

The undersigned Employee of______________________, a franchisee ("Franchisee") of TEA O'LA, INC., hereby agrees that he or she shall not, while employed and/or engaged in whatever capacity by Franchisee or following such employment and/or engagement, communicate to, or use for the benefit of, any other person, persons, partnership, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of a TEA STATION Outlet; provided, however, that the foregoing does not include information which the Employee can demonstrate came to his or her attention prior to being employed/ engaged by Franchisee or which has become a part of the public domain through publication or communication by others.

The Employee acknowledges that any failure to comply with the requirements of this Confidentiality Agreement will cause Franchisee and TEA O'LA, INC. irreparable injury, and Employee agrees that in addition to any other right or remedy provided by law, Franchisee and/or TEA O'LA, INC. with its affiliates shall be entitled to specific performance of, or an injunction against violation of, the requirements of this Confidentiality Agreement.

The Employee agrees that upon termination of his or her employment with Franchisee for any reason, he or she will return all copies of documents containing confidential information or trade secrets to Franchisee, including without limitation the TEA STATION Operations Manual.

IN WITNESS WHEREOF, the undersigned has executed this document in consideration of his or her employment by the Franchisee.

DATED: ______________________

Print Name: ________________________________

Signature: ________________________________
("Employee")

CONFIDENTIALITY AGREEMENT
(Applicant)

This Confidentiality Agreement dated as of ______________________, 20____ by and between the undersigned ("You" and "Your") and TEA O'LA, INC. ("Franchisor"), with respect to Your request to review its Operations Manual ("Manual") prior to purchasing a franchise.

1. Franchisor agrees to allow You to review the Manual in consideration of Your execution of this Agreement.

2. You agree that the Franchisor considers the Manual to be proprietary information which may not be disclosed to other parties. Accordingly, You agree that You will not disclose its contents in whole or part to any other person without the prior written consent of the Franchisor. You will not make retain any copies or reproductions of any nature of the Manual.

3. You acknowledge that the restrictions contained in this Agreement are reasonable and necessary to protect Franchisor's legitimate interests in the Manual and that any breach by You of this Agreement will result in irreparable injury to Franchisor for which a remedy at law would be inadequate. Accordingly, You agree that Franchisor shall be entitled to temporary, preliminary and permanent injunctive relief against You, without the necessity of posting bond, in the event of any breach or threatened breach by You of this Agreement, in addition to any other remedy that may be available to Franchisor whether at law or in equity.

DATED: _____________________

Print Name: ______________________________

Signature: ______________________________
("Applicant")

EXHIBIT B
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT
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ATTACHMENTS

TEA STATION

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement"**) is made and entered into as of [________] (the **"Effective Date")**, by and between TEA O'LA, INC., a California corporation **("FRANCHISOR"**), and [______](**"FRANCHISEE"**), with reference to the following facts:

A. FRANCHISOR, as the result of the expenditure of time, skill, effort and money, has developed a distinctive system relating to the establishment and operation of upscale café stores that offer gourmet Asian tea and other beverages and other related food items for dine-in consumption and take- out service (the **"System"**).

B. The distinguishing characteristics of the System include, without limitation, products, recipes and menu items which incorporate FRANCHISOR's trade secrets and proprietary information (the **"Proprietary Products"**), distinctive exterior and interior design, decor, color scheme, fixtures, and furnishings; standards and specifications for products and supplies; service standards; uniform standards, specifications, and procedures for operations; procedures for inventory and management control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by FRANCHISOR from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark **"TEA STATION"** and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by FRANCHISOR in writing for use in connection with the System (the **"Proprietary Marks"**). FRANCHISOR has obtained the right to use, and to license others to use, the Proprietary Products, the Proprietary Marks and the System.

D. FRANCHISOR continues to develop, use, and control the use of the Proprietary Marks in order to identify for the public the source of services and products marketed under this Agreement and under the System, and to represent the System's high standards of quality, appearance, and service.

E. FRANCHISEE desires to enter into the business of operating a retail café store under the System, using Proprietary Products, the Proprietary Marks (the **"Franchised Business"**), and wishes to enter into an agreement with FRANCHISOR for that purpose, and to receive the training and other assistance provided by FRANCHISOR in connection with the development and operation of TEA STATION Stores. FRANCHISEE represents and warrants to FRANCHISOR, as an inducement to FRANCHISOR's execution of this Agreement, that all statements made by FRANCHISEE and all materials provided to FRANCHISOR by FRANCHISEE in connection with the grant of this franchise to FRANCHISEE are accurate and complete and that FRANCHISEE has made no misrepresentations or material omissions in connection with obtaining this franchise. FRANCHISOR grants this franchise in reliance upon each and all of FRANCHISEE's representations.

F. FRANCHISEE understands and acknowledges the importance of FRANCHISOR's high standards of quality, cleanliness, appearance, service, and proprietary menu items, and the necessity of operating the Franchised Business in conformity with FRANCHISOR's standards and specifications.

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING RECITALS WHICH ARE INCORPORATE BY THIS REFERENCE AND THE COVENANTS SET FORTH HEREUNDER, THE PARTIES AGREE AS FOLLOWS:

1. GRANT

1.1 **Grant**. FRANCHISOR hereby grants to FRANCHISEE the right, and FRANCHISEE undertakes the obligation, to use the System, the Proprietary Products and Proprietary Marks solely in connection with the operation of one (1) TEA STATION Store at, and only at, the **"Franchised Location"** (as defined in Paragraph 1.2 of this Agreement). During the term of this Agreement, FRANCHISEE shall not sell Proprietary Products in bulk through any means of distribution other than from the Franchised Business at the Franchised Location including, without limitation, through the use of toll-free "l-800", "l-888" and "1-877" telephone numbers, mail order catalogs, direct mail advertising, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, or other mobile, remote, limited service or non-permanent facilities unless expressly authorized by FRANCHISOR in writing to do so. In addition, all sales by FRANCHISEE shall be for retail consumption only and FRANCHISEE shall not engage in wholesale sales of any kind without FRANCHISOR's prior consent. **"Wholesale sales"** means the direct or indirect sale or distribution of Proprietary Products to a third party for resale, retail sale or further distribution through any trade method or trade channel.

1.2 **Location of Franchised Business.** FRANCHISEE shall operate the Franchised Business only at the following address: ____________________ (the **"Franchised Location"**). If the Franchised Location has not been obtained by the Effective Date, FRANCHISEE shall promptly following the Effective Date locate one or more proposed sites which meet FRANCHISOR's then-current standards and specifications. FRANCHISEE shall submit to FRANCHISOR such demographic and other information regarding the proposed sites and neighboring areas as FRANCHISOR shall require, in the form prescribed by FRANCHISOR (**"Site Review Request"**). FRANCHISOR may seek such additional information as it deems necessary within twenty (20) days of submission of FRANCHISEE's Site Review Request, and FRANCHISEE shall respond promptly to such request for additional information. If FRANCHISOR shall not deliver written notice to FRANCHISEE that FRANCHISOR accepts the proposed site, within twenty (20) days of receipt of FRANCHISEE' s Site Review Request, or within ten (10) days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected. If FRANCHISOR accepts the proposed site it shall notify FRANCHISEE of its preliminarily acceptance of the site (**"Preliminary Acceptance"**), which Preliminary Acceptance shall be subject to further analysis by FRANCHISOR and successful negotiation by FRANCHISEE of a final **"Lease"** for the site (as defined in Paragraph 7.12 of this Agreement) acceptable to FRANCHISOR, and such other conditions as FRANCHISOR may impose. Promptly following the Effective Date, or FRANCHISEE's receipt of Preliminary Acceptance, if no Franchised Location has been inserted in the blank space provided above, FRANCHISEE shall proceed to negotiate a Lease and shall submit to FRANCHISOR a copy of the proposed Lease to FRANCHISOR for Final Acceptance at least 15 days prior to execution. Promptly following FRANCHISOR's receipt of the proposed final Lease which meets FRANCHISOR's requirements as set forth in Paragraph 7.12 of this Agreement, and evidence of FRANCHISEE's satisfaction of all conditions set forth in the Preliminary Acceptance, FRANCHISOR shall notify FRANCHISEE (**"Final Acceptance"**). FRANCHISEE shall not enter into any Lease for the Franchised Location unless and until FRANCHISEE has received Final Acceptance relating to the proposed site. FRANCHISEE shall provide a copy of the executed Lease to FRANCHISOR within 15 days of signing.

1.2.1 FRANCHISOR may voluntarily (without obligation) assist FRANCHISEE in obtaining an acceptable location. Neither FRANCHISOR' s said assistance, if any, its acceptance of FRANCHISEE' s proposed site, nor its acceptance of the proposed Lease shall be construed to insure or guarantee the profitable or successful operation of the Franchised Location by FRANCHISEE, and FRANCHISOR hereby expressly disclaims any responsibility therefore. FRANCHISEE acknowledges its sole responsibility for finding the Franchised Location and its sole responsibility for finding each proposed site for the Franchised Business developed pursuant to this Agreement.

1.2.2 Following the acquisition of the Franchised Location, FRANCHISOR and FRANCHISEE shall complete and execute **Attachment A** annexed to this Agreement.

1.2.3 FRANCHISEE may not relocate the Franchised Business without FRANCHISOR's prior written consent. If FRANCHISOR shall consent to any relocation, FRANCHISEE shall de-identify the former location in the manner described in this Agreement with respect to FRANCHISEE's obligations upon termination and expiration, and shall reimburse and indemnify and hold FRANCHISOR harmless from any direct and indirect losses, costs and expenses, including attorney’s fees, arising out of FRANCHISEE’s failure to do so.

1.3 **<u>Protected Area</u>.** During the initial term of this Agreement, and provided that FRANCHISEE is not in default of this Agreement or any other agreement between FRANCHISOR, its **"Affiliates"** (defined below), and FRANCHISEE, FRANCHISOR shall not own, operate, sell, or issue a franchise for any other TEA STATION Store within an area designated on **<u>Attachment A</u>** (the **"Protected Area"**). Except as expressly provided for in this <u>Paragraph 1.3,</u> the license granted to FRANCHISEE under this Agreement is nonexclusive, FRANCHISEE shall have no territorial or protective rights and FRANCHISOR and its Affiliates shall have the right to place a company-owned or franchised TEA STATION Store anywhere FRANCHISOR desires. In addition, FRANCHISOR and its Affiliates retain the right, among others, in any manner and on any terms and conditions that FRANCHISOR deems advisable, and without granting FRANCHISEE any rights under this Agreement:

1.3.1 To own, acquire, establish, and/or operate, and license others to establish and operate, a TEA STATION Store, at any location outside of the Protected Area.

1.3.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, whether such businesses are the same, similar, or different from the Franchised Business, at any location, whether inside or outside of the Protected Area, and to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business at any location, whether inside or outside of the Protected Area.

1.3.3 To license others to sell or distribute any products or services which bear any proprietary marks, including the Proprietary Marks, at any location other than a retail store, whether inside or outside of the Protected Area.

1.3.4 To produce, license, distribute and market TEA STATION branded food products, clothing, souvenirs, and novelty items through any outlet, whether inside or outside of the Protected Area (regardless of its proximity to the Franchised Location), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the World Wide Web section of the Internet, mail order catalogs, direct mail advertising and other distribution methods.

1.3.5 To own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Proprietary Marks and the System, whether inside or outside of the Protected Area including, without limitation, toll-free "l-800", "1-888" and "l-877" telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or other retail operations as a part of larger retail venues such as department stores, supermarkets, shopping malls or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, arenas, stadiums, hospitals, office buildings, convention centers, airlines (in-flight service) and military bases.

The term **"Affiliate"** when used in this Agreement in connection with FRANCHISOR or FRANCHISEE, shall include each person or entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with FRANCHISOR or FRANCHISEE, as applicable. Notwithstanding the foregoing definition, if FRANCHISOR or its Affiliate has any ownership interest in FRANCHISEE, the term **"Affiliate"** shall not include or refer to FRANCHISOR or that Affiliate (the **"Franchisor Affiliate"**), and no obligation or restriction upon an **"Affiliate"** of FRANCHISEE, shall bind FRANCHISOR, or a Franchisor Affiliate or their respective direct/indirect parents or subsidiaries, or their respective officers, directors, or managers.

1.4 **Modification to System and Manuals.** FRANCHISEE acknowledges that the System, FRANCHISOR's Confidential Operations Manuals and any other manuals loaned to FRANCHISEE by FRANCHISOR pursuant to Paragraph 3.4 of this Agreement (collectively the **"Manuals"**), and the products and services offered by the Franchised Business may be modified, (such as, but not limited to, the addition, deletion, and modification of menu items, operating procedures, products and services) from time to time by FRANCHISOR. FRANCHISEE agrees to comply, at its expense, with all such modifications, including, without limitation, all requirements to implement the modifications, such as replacement or renovation of equipment, remodeling, redecoration and modifications to existing improvements, including structural changes. FRANCHISOR shall notify FRANCHISEE of any such System changes and FRANCHISEE shall implement any System changes upon receipt of notice thereof from FRANCHISOR, and shall complete their implementation within such time as FRANCHISOR may reasonably specify. For purpose of this Agreement, System changes shall include, without limitation, changes in any of the categories referred to in Paragraph 7.3 of this Agreement.

1.5 **No Sublicensing Rights.** FRANCHISEE shall not sublicense, sublease, subcontract or enter any management agreement providing for the right to operate the Franchised Business or to use the System granted pursuant to this Agreement.

2. **INITIAL AND EXTENDED TERM**

2.1 **Initial Term.** The initial term of this Agreement, except as otherwise provided in this Agreement, shall commence on the Effective Date and shall expire on the third anniversary of the opening of the Franchised Business for business to the public, but no later than four (4) years from the Effective Date, unless sooner terminated under the terms of this Agreement. If the term of the Lease for the Franchised Location is for less than three (3) years, including any extension of the term, the initial term of this Agreement shall be for a period identical to the term of the Lease. FRANCHISEE shall have no right or option to extend or renew the term of this Agreement except as provided in Paragraph 2.2 of this Agreement.

2.2 **Option to Extend.** FRANCHISEE shall have the option to extend the term of this Agreement on the terms and conditions set forth in this Agreement, for one (1) additional three (3) year period, upon written notice given by FRANCHISEE to FRANCHISOR not less than six (6) months nor more than twelve (12) months prior to the scheduled expiration date of the initial term, provided that each of the following conditions are satisfied:

2.2.1 FRANCHISEE shall, in a manner satisfactory to FRANCHISOR, renovate, refurbish or reconstruct the Franchised Business at FRANCHISEE's expense prior to the effective date of each extension to conform to the building design, trade dress, color schemes, and presentation of Proprietary Marks to the image then in effect for new or the most recently remodeled stores under the System, including without limitation, such structural changes, remodeling and redecoration and such modifications to existing improvements, as may be necessary or required by law.

2.2.2 FRANCHISEE shall not be in default of any provision of this Agreement, or any other agreement between FRANCHISEE and FRANCHISOR or its Affiliates, or any standards set forth in the Manuals and FRANCHISEE shall have complied with all the terms and conditions of this Agreement, the Manuals and any other agreements during the initial term of this Agreement.

2.2.3 FRANCHISEE shall have satisfied all monetary obligations owed by FRANCHISEE to FRANCHISOR and its Affiliates, and shall have timely met those obligations throughout the initial term of this Agreement.

2.2.4 FRANCHISEE must have the ability to extend the term of the Lease for the Franchised Location on terms acceptable to both FRANCHISOR and FRANCHISEE. FRANCHISEE shall present evidence satisfactory to FRANCHISOR that FRANCHISEE has the right to remain in possession of the Franchised Location for the duration of the extended term of this Agreement, which shall, in no event, exceed three (3) years or the extension term of the Lease, whichever is less.

2.2.5 FRANCHISEE shall, at FRANCHISOR's option, execute FRANCHISOR's then- current form of Franchise Agreement and any addenda to the then-current form of Franchise Agreement, for the successor term, which Franchise Agreement shall supersede this Agreement in all respects, and the terms of which, including, without limitation, the amount of the royalty fee and advertising fee, may differ materially and be less advantageous to FRANCHISEE than the terms of this Agreement; provided, however, that FRANCHISOR's option as set forth in Paragraphs 15.9 - 15.11 of this Agreement shall remain in effect.

2.2.6 FRANCHISEE shall comply with FRANCHISOR's then-current qualification and training requirements.

2.2.7 FRANCHISEE shall pay FRANCHISOR a fee for the right to obtain an extended term in an amount equal to fifty percent (50%) of the then-current initial franchise fee charged by FRANCHISOR to new franchisees of FRANCHISOR, not to exceed the sum of $25,000.

2.2.8 FRANCHISEE shall execute a general release, in a form prescribed by FRANCHISOR, of any and all claims which FRANCHISEE may have or believes to have against FRANCHISOR and/or its Affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement, the Franchised Business or the Franchised Location, as well as claims, known or unknown, which are not based on, do not arise from or do not relate to this Agreement, the Franchised Business or the Franchised Location but which relate to other franchise agreements, franchised businesses, franchised locations and other agreements between FRANCHISOR or its Affiliates and FRANCHISEE which arose on or before the date of the general release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances.

2.2.9 If FRANCHISOR is not offering new franchises, is in the process of revising, amending or renewing FRANCHISOR' s form of Franchise Agreement or Franchise Offering Circular or is not lawfully able to offer FRANCHISEE FRANCHISOR' s then-current form of Franchise Agreement at the time FRANCHISEE exercises an option to extend the term of this Agreement, FRANCHISOR may offer to renew FRANCHISEE's existing Franchise Agreement upon the terms and conditions set forth in this Agreement for the extended term of this Agreement, or may offer to extend the term of this Agreement on a week-to-week basis following the expiration of the term for as long as FRANCHISOR deems necessary or appropriate so that FRANCHISOR may lawfully offer FRANCHISEE its then-current form of Franchise Agreement. Further, if applicable law requires FRANCHISOR to give notice to FRANCHISEE prior to the expiration of the term of this Agreement, this Agreement shall remain in effect on a week-to-week basis until FRANCHISOR has given the notice required by such applicable law.

2.3 **Continued Compliance.** FRANCHISEE' s right to extend the term of this Agreement shall be subject to FRANCHISEE' s continued compliance with the terms and conditions of this Agreement as well as FRANCHISEE' s compliance with the conditions set forth in Paragraph 2.2 of this Agreement.

2.4 **Termination at End of Term.** If FRANCHISEE does not elect to extend the term of this Agreement, this Agreement shall terminate at the end of the initial term of this Agreement.

3. **DUTIES OF FRANCHISOR**

3.1 **Plans.** FRANCHISOR shall provide FRANCHISEE with a preliminary floor plan layout and store-front rendering, based upon as-built drawings of the Franchised Location prepared by FRANCHISEE's architect and provided to FRANCHISOR by FRANCHISEE.

3.2 **Supervision and Assistance.** FRANCHISOR shall provide such initial and continuing assistance to FRANCHISEE as FRANCHISOR deems advisable.

3.3 **Training.** FRANCHISOR shall offer an initial training program to FRANCHISEE and those employees of FRANCHISEE whom FRANCHISOR deems necessary and appropriate in its sole discretion and, during the term of this Agreement, make available such other training programs as FRANCHISOR deems necessary and appropriate.

3.4 **Manuals.** In order to protect the reputation and goodwill of FRANCHISOR, to maintain uniform standards of the products, services, and operations offered and sold under the Proprietary Marks, and to promote the goodwill of all TEA STATION Stores and the System, FRANCHISOR has created the Manuals. FRANCHISOR shall loan one copy of the Manuals to FRANCHISEE during the term of this Agreement. FRANCHISOR may, from time to time in its sole discretion, revise the Manuals to incorporate System changes. FRANCHISEE shall promptly implement any System change upon receipt of notice thereof from FRANCHISOR, and shall complete their implementation within such time as FRANCHISOR may reasonably specify.

3.5 **Inspection and Evaluation.** FRANCHISOR shall conduct, when and as frequently as FRANCHISOR deems advisable, inspections of the Franchised Business and evaluations of its management and operations, in order to assist FRANCHISEE and to maintain the System's standards of quality, appearance, and service.

3.6 **Supplies and Suppliers.** FRANCHISOR shall provide FRANCHISEE with a list of FRANCHISOR' s approved and designated suppliers of goods and services for the construction, equipping and operation of the Franchised Business following the Effective Date and shall further provide FRANCHISEE with updated lists of such suppliers periodically during the term of this Agreement.

3.7 **Consultation and Advisory Services.** FRANCHISOR may periodically consult with FRANCHISEE from time to time concerning the operation of the Franchised Business. FRANCHISOR shall at reasonable times, upon request and at no charge to FRANCHISEE, furnish counseling and advisory services to FRANCHISEE with respect to the planning, opening and operation of the Franchised Business, including consultation and advice regarding operating problems and procedures, new developments and improvements in the System, record keeping, purchasing, marketing, promotion and merchandising, business forms and the interpretation of policy as set forth in the Manuals, as the same may from time to time be amended, and other directives of FRANCHISOR. The advice to be rendered pursuant to this Paragraph 3.7 shall be general advice designed to assist FRANCHISEE in the operation of the Franchised Business. FRANCHISEE acknowledges and agrees that FRANCHISOR, by rendering such consultation and advisory services, does not thereby guarantee the success or profitability of the Franchised Business.

3.8 **Delegation of Obligations.** FRANCHISEE acknowledges and agrees that any duty or obligation imposed on FRANCHISOR by this Agreement may be performed by any designee, employee, or agent of FRANCHISOR, as FRANCHISOR may direct. FRANCHISOR reserves the right to retain the services of a master franchisee in the geographic area in which the Franchised Business will be located. In such event, the master franchisee, on behalf of FRANCHISOR, will perform certain sales, site assistance, and support services as directed by FRANCHISOR. FRANCHISEE consents and agrees to any such delegation and assignment by FRANCHISOR of all or any portion of FRANCHISOR's obligations and rights under this Agreement to a master developer and acknowledges that FRANCHISEE is not a third party beneficiary of any master franchisee agreement or any other agreement between FRANCHISOR and any master franchisee.

3.9 **Franchisor's Rights In Fulfilling Obligations.** In fulfilling its obligations to FRANCHISEE pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement or on behalf of the System, FRANCHISOR (and its Affiliates) shall have the right:

3.9.1 To take into account, as FRANCHISOR sees fit, the effect on, and the interests of, other TEA STATION Stores in which FRANCHISOR has an interest and on FRANCHISOR's (and its Affiliates') own activities.

3.9.2 To share market and product research, and other proprietary and non-proprietary business information, with other Stores in which FRANCHISOR has an interest, or with FRANCHISOR's Affiliates.

3.10 **Responsibility of Franchisee.** Notwithstanding the provisions of this Section 3, FRANCHISEE shall be and remain responsible for the operation of the Franchised Business at all times and shall hold FRANCHISOR, its Affiliates and their respective directors, officers, employees and agents, harmless there from. FRANCHISEE shall not look to FRANCHISOR for performance of regular operational duties.

4. FEES

4.1 **Initial Franchise Fee.** FRANCHISEE shall pay to FRANCHISOR an initial franchise fee of $50,000 on the Effective Date. The initial franchise fee shall be deemed fully earned and non-refundable when paid, in consideration of administrative and other expenses incurred by FRANCHISOR in entering into this Agreement, and for FRANCHISOR's lost or deferred opportunity to enter into this Agreement with others.

4.2 **Royalty Fee.** FRANCHISEE shall pay to FRANCHISOR, without deduction, abatement or offset, a continuing weekly royalty fee in an amount equal to four percent (4%) of the Gross Revenue of the Franchised Business. **"Gross Revenue"** shall mean all revenue from the sale of all products and services related to the Franchised Business, (regardless of whether such products are served at the Franchised Business or elsewhere), and all other income of every kind and nature related to the Franchised Business including, without limitation, catering income and business interruption insurance, whether for cash or credit, and regardless of collection in the case of credit, less any sales taxes or other taxes collected by FRANCHISEE from its customers for transmittal to the appropriate taxing authority.

4.3 **Advertising Fee.** FRANCHISEE shall make weekly expenditures and contributions for advertising and promotion as specified in Paragraphs 11.1 and 11.7 of this Agreement without deduction, abatement or offset.

4.4 **Time of Payments.** All payments required by Paragraphs 4.2 and 4.3 shall be paid on a weekly basis, each Monday, calculated on the Gross Revenue for the preceding week. For purposes of this Agreement, the week's operating, accounting, and billing period for FRANCHISEE shall end each Sunday at the close of business. All payments required by Paragraphs 4.2 and 4.3 shall be accompanied by such reports or statements required under Paragraph 10.5 of this Agreement. Any report or payment not actually received by FRANCHISOR on or before Sunday shall be deemed overdue. If any payment under this Agreement is overdue, FRANCHISEE shall pay to FRANCHISOR, immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of ten percent (10%) per annum, calculated weekly, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies FRANCHISOR may have including, without limitation, the right of set-off to withdraw or retain, from time to time and without notice to FRANCHISEE, any amounts due and unpaid by FRANCHISEE from any accounts or amounts otherwise payable to FRANCHISEE. If any check, draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then FRANCHISEE shall pay FRANCHISOR' s expenses arising from such non-payment, including bank fees in the amount of at least $50 and any other related expenses incurred by FRANCHISOR. FRANCHISEE shall not be entitled to set-off any payments required to be made under this Section 4 against any monetary claim FRANCHISEE believes it may have against FRANCHISOR.

4.5 **Other Payments.** In addition to all other payments provided in this Agreement, FRANCHISEE shall pay FRANCHISOR and its Affiliates promptly when due:

4.5.1 All amounts advanced by FRANCHISOR or which FRANCHISOR has paid, or for which FRANCHISOR has become obligated to pay on behalf of FRANCHISEE for any reason whatsoever.

4.5.2 The amount of all sales taxes, use taxes, personal property taxes and similar taxes, which shall be imposed upon FRANCHISEE and required to be collected or paid by FRANCHISOR (a) on account of FRANCHISEE's Gross Revenue, or (b) on account of initial franchise fees, royalty fees or advertising fees collected by FRANCHISOR from FRANCHISEE (but excluding ordinary income taxes). FRANCHISOR, in its discretion, may collect the taxes in the same manner as royalty fees are collected and promptly pay the tax collections to the appropriate governmental authority; provided, however, that unless FRANCHISOR so elects, it shall be FRANCHISEE's responsibility to pay all sales, use or other taxes now or hereinafter imposed by any governmental authorities on initial franchise fees, royalty fees and advertising fees.

4.5.3 All amounts due for any reason, including on account of purchases of Proprietary Products, supplies or services relating to the Franchised Business.

4.6 **EFT and Pre-Authorized Payments.** FRANCHISEE hereby authorizes FRANCHISOR to initiate debit entries and/or credit collection entries to FRANCHISEE's designated primary business operating checking or savings account for the payment of royalty fees, advertising fees and all other sums that may become due to FRANCHISOR, or its Affiliates, from FRANCHISEE.

4.6.1 At FRANCHISOR's request, FRANCHISEE, at FRANCHISEE's sole cost and expense, shall instruct its bank to pay the amount of its royalty fees, advertising fees and all other sums that may become due to FRANCHISOR, or its Affiliates, directly to FRANCHISOR from FRANCHISEE' s account, by electronic funds transfer or such other automatic payment mechanism which FRANCHISOR may designate ("EFT") and upon the terms and conditions set forth in the Manuals, and promptly upon FRANCHISOR' s request, FRANCHISEE shall execute or re-execute and deliver to FRANCHISOR such pre-authorized check forms and other instruments or drafts required by FRANCHISOR's bank, payable against FRANCHISEE' s bank account, to enable FRANCHISOR to draw FRANCHISEE's royalty fees, advertising fees and all other sums that may become due to FRANCHISOR, or its Affiliates. FRANCHISEE shall make funds available for withdrawal by FRANCHISOR by electronic transfer on such dates of each month as FRANCHISOR shall designate throughout the term of this Agreement. If FRANCHISOR elects to utilize this method of payment of such obligations, FRANCHISEE shall maintain a single bank account for such payments and shall maintain such minimum balance in such account as FRANCHISOR may reasonably specify from time to time. FRANCHISEE shall not alter or close such account except upon FRANCHISOR's prior written approval. Any failure by FRANCHISEE to implement such EFT system in strict accordance with FRANCHISOR's instructions shall constitute a material default of this Agreement.

4.6.2 If FRANCHISEE is delinquent more than two (2) times in any continuous twelve (12) month period during the term in the payment of royalty fees, advertising fees or other fees, or of other sums due to FRANCHISOR or to its Affiliates including on account of the purchase of goods or services, or fails to report its sales on a timely basis, FRANCHISOR may require FRANCHISEE to implement a system prescribed by FRANCHISOR which shall permit FRANCHISOR unilaterally to estimate and draw down the amounts owed by FRANCHISEE, which system may include automatic debits, use of FRANCHISEE pre-authorized checks, other instruments or authority or any other arrangement FRANCHISOR may prescribe. FRANCHISOR may base its estimates of royalty fees, advertising fees and similar payments which are calculated based on Gross Revenue, on FRANCHISEE's historically reported Gross Revenue. FRANCHISEE shall promptly implement such system in strict accordance with FRANCHISOR's instructions and failure to do so shall constitute a material default of this Agreement.

4.7 **Security Interest.** In order to secure payment of all royalty fees, advertising fees and all other sums that may become due to FRANCHISOR, or its Affiliates, from FRANCHISEE and to secure performance by FRANCHISEE of all obligations of any kind, whenever and however incurred, in favor of FRANCHISOR, or its Affiliates:

4.7.1 FRANCHISEE hereby grants FRANCHISOR a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Franchised Business, now or hereafter acquired by FRANCHISEE, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of FRANCHISEE to use the Proprietary Products, the Proprietary Marks, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to FRANCHISEE under this Agreement for the use of the Proprietary Products, the Proprietary Marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights. FRANCHISEE hereby authorizes FRANCHISOR to, prepare and file all Uniform Commercial Code financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code.

4.7.2 If FRANCHISEE is and remains in good standing under this Agreement and all other agreements with FRANCHISOR, and its Affiliates, FRANCHISOR will consent to FRANCHISEE's grant of an additional security interest in the Franchised Business or in any of the assets of the Franchised Business if the conditions set forth in <u>Paragraph 13.4</u> of this Agreement are met.

4.7.3 If FRANCHISEE is in default of any of the terms and conditions of this Agreement or any other agreements between FRANCHISOR, and its Affiliates, and FRANCHISEE, FRANCHISOR may, in its discretion, exercise its rights with respect to its security interest. In such event, FRANCHISEE shall be and remain liable for any deficiency remaining due to FRANCHISOR and shall be entitled to recover any surplus which results after application of the proceeds derived from the enforcement of FRANCHISOR's security interest.

4.8 **<u>Application of Fees.</u>** Notwithstanding any designation by FRANCHISEE, FRANCHISOR shall have the sole discretion to apply any payments made by FRANCHISEE to any past due indebtedness of FRANCHISEE for royalty fees, advertising fees, interest or any other indebtedness, in such amounts and in such order as FRANCHISOR shall determine.

5. <u>RENOVATION OR CONSTRUCTION OF THE FRANCHISED LOCATION</u>

5.1 **<u>Approval of Plans.</u>** FRANCHISEE shall employ a licensed architect approved by FRANCHISOR at FRANCHISEE' s expense to conduct a site survey and to prepare as-built drawings of the Franchised Location and shall submit the same to FRANCHISOR in CAD form within sixty (60) days of receiving site approval from FRANCHISOR. Following FRANCHISOR's receipt of the same, FRANCHISOR shall provide FRANCHISEE with a preliminary floor plan layout and store-front rendering of the Franchised Location, based upon such as-built drawings and with FRANCHISOR's prototype design development package. FRANCHISEE shall pay FRANCHISOR the sum of $5,000 for the preparation of the preliminary floor plan layout and store-front rendering when the as-built drawings are delivered to FRANCHISEE. FRANCHISEE's architect shall then complete the required plans and shall submit them to FRANCHISOR for approval within thirty (30) days from the date that FRANCHISEE receives the preliminary floor plan layout and store-front rendering of the Franchised Location and prototype design development package. The plans shall be deemed disapproved unless they have been expressly approved in writing by FRANCHISOR within thirty (30) days from the date that FRANCHISOR receives the required plans. FRANCHISEE shall, at its own expense, commence renovation or construction of the Franchised Location within thirty (30) days after approval by FRANCHISOR of FRANCHISEE's final plans. FRANCHISEE shall use a licensed general contractor approved by FRANCHISOR for all construction, renovations, modifications, or improvements and shall provide FRANCHISOR with all information relating to such construction (including the costs of any renovations, modifications, or improvements) as FRANCHISOR may reasonably request. FRANCHISEE shall also provide FRANCHISOR with a construction schedule for the renovation or construction of the Franchised Location which shall provide for the completion of renovation or construction of the Franchised Location and the opening of the Franchised Business for business within not more than twelve (12) months following the Effective Date, subject only to **"Force Majeure"** (as defined in <u>Paragraph 5.3</u> of this Agreement). The final plans shall not be changed or modified without the prior written approval of FRANCHISOR.

5.2 **Zoning, Permits, Clearances, and ADA Compliance.** FRANCHISEE shall be responsible, at FRANCHISEE's expense, for obtaining all zoning classifications, permits, and clearances, including, but not limited to, certificates of occupancy and mall clearances and fire and health department approvals, which may be required by federal, state, or local laws, ordinances, or regulations. FRANCHISEE shall certify in writing to FRANCHISOR that all such classifications, permits, and clearances have been obtained. FRANCHISEE shall also take reasonable steps to insure that the Franchised Location complies with all applicable requirements of the Americans with Disabilities Act.

5.3 **Requirements During Construction.** FRANCHISEE shall provide written notice to FRANCHISOR of the date construction commenced within seven (7) days after commencement and shall thereafter provide to FRANCHISOR a monthly progress report signed by FRANCHISEE, its architect, and its general contractor warranting that construction is proceeding on schedule and in accordance with the approved final plans and with all applicable laws, ordinances, and regulations. During the construction period, FRANCHISOR and its agents shall have the right, but not the obligation, to inspect the site at all reasonable times. FRANCHISEE shall, at its expense, complete construction and open the Franchised Business for business (including all exterior and interior carpentry, electrical, plumbing, heating, ventilation, air conditioning, painting, and finishing work, and installation of all furniture, fixtures, equipment, and signs) in accordance with the final plans and construction schedule approved by FRANCHISOR, within not more than twelve (12) months following the Effective Date, subject only to **"Force Majeure"**. For purposes of this Agreement, **"Force Majeure"** means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which FRANCHISEE could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a governmental authority, nor the performance, non-performance or exercise of rights under any agreement with FRANCHISEE by any lender, landlord, contractor, or other person shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. FRANCHISEE's financial inability to perform or FRANCHISEE's insolvency shall not be an event of Force Majeure hereunder.

5.4 **Approval for Opening.** FRANCHISEE shall notify FRANCHISOR of the anticipated construction completion date and, within a reasonable time after construction is completed, FRANCHISOR shall have the right, but not the obligation, to conduct a final inspection of the Franchised Location. FRANCHISEE shall not open the Franchised Business without the express written authorization of FRANCHISOR, which authorization may be conditioned upon FRANCHISEE's strict compliance with the specifications of the approved final plans and System standards and completion of any pre-opening training required by FRANCHISOR and FRANCHISEE's compliance with staffing and other requirements set forth in the Manuals and applicable to the operations of the Franchised Business. FRANCHISEE shall open the Franchised Business for business following receipt of a certificate of occupancy and no more than ten (10) days after receipt of FRANCHISOR's written authorization to open.

5.5 **Insurance During Construction.** FRANCHISEE shall procure, prior to the commencement of any construction or the renovation of the Franchised Business, and shall maintain in full force and effect at all times during any construction or renovation, at FRANCHISEE's expense, an insurance policy or policies protecting FRANCHISEE, FRANCHISOR, and its Affiliates, and their respective partners, shareholders, directors, agents, and employees, against any demand or claim with respect to personal or bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the construction or renovation of the Franchised Business. Such policy or policies shall be written by a responsible insurer or insurers acceptable to FRANCHISOR, shall comply with the requirements prescribed by FRANCHISOR in writing at the time such policies are obtained (including those provisions of Section 12 of this Agreement specified by FRANCHISOR), and shall include, at a minimum, the coverage's and amounts specified by FRANCHISOR in the Manuals or otherwise in writing.

6. TRAINING

6.1 **<u>Pre-Opening Training.</u>** Prior to the opening of the first Franchised Business developed by FRANCHISEE, FRANCHISEE (or, if FRANCHISEE is a corporation, partnership, or limited liability company, a principal of FRANCHISEE acceptable to FRANCHISOR and who owns at least a fifty-one percent (51%) equity interest in FRANCHISEE) and those of FRANCHISEE's managers approved by FRANCHISOR, shall attend and complete to FRANCHISOR's satisfaction the initial training program (or segments thereof at FRANCHISOR's discretion) for franchisees and managers offered by FRANCHISOR. FRANCHISOR shall provide such training, instructors, a training manual, and other materials without charge to two (2) persons; FRANCHISEE shall pay a fee of $1,000 for each additional attendee sent by FRANCHISEE. Except as stated in the preceding sentence, FRANCHISEE shall be responsible for any and all other expenses incurred in connection with sending its trainees to such training including, without limitation, the costs of transportation, lodging, meals, and any wages. For the second and any subsequent TEA STATION Franchised Business developed by FRANCHISEE, FRANCHISOR shall not provide FRANCHISEE with the initial training program.

6.1.1 FRANCHISOR shall, in its sole discretion, select the time and location of the initial training program. During the term of this Agreement, FRANCHISEE shall always employ, on a full-time basis in the operation of the Franchised Business, at least two (2) managers who have successfully completed the minimum level of training specified by FRANCHISOR in the Manuals or otherwise in writing. If FRANCHISEE must send additional employees for training to comply with the requirement set forth in the preceding sentence, or if FRANCHISEE chooses to send (with FRANCHISOR's prior consent) additional employees to such training, FRANCHISOR shall not charge any fee for the training required for such individuals. All in-store management personnel shall be dedicated exclusively to the TEA STATION brand.

6.1.2 For the first and second Franchised Business developed by FRANCHISEE, for approximately seven (7) days prior to the opening of each Franchised Business and for approximately seven (7) days thereafter, FRANCHISOR shall provide FRANCHISEE, at FRANCHISOR's expense, with the services of FRANCHISOR's training personnel (up to a maximum of four (4) to facilitate proper operation of the Franchised Business during the opening period and to assist in correcting any operational problems that may arise. For the third and any subsequent TEA STATION Franchised Business developed by FRANCHISEE, FRANCHISOR shall not provide to FRANCHISEE any of FRANCHISOR's personnel to assist in connection with FRANCHISEE's opening of such Franchised Business.

6.2 **<u>Additional Training.</u>** FRANCHISEE and FRANCHISEE's managers and other employees also shall attend such additional courses, seminars, and other training programs as FRANCHISOR may reasonably require from time to time. The fee for any additional courses shall be $500 per course. FRANCHISEE shall be responsible for any and all expenses incurred in connection with sending its employees to such training including, without limitation, the costs of transportation, lodging, meals, training materials and any wages. FRANCHISOR shall, in its sole discretion, select the time and location of all additional training.

7. <u>DUTIES OF FRANCHISEE</u>

7.1 **<u>Importance of System Standards.</u>** FRANCHISEE understands and acknowledges that every detail of the System and the Franchised Business is essential to FRANCHISEE, FRANCHISOR, and other TEA STATION franchisees in order to (a) develop and maintain quality operating standards, (b) increase the demand for the products and services sold by all franchisees operating under the System, and (c) protect FRANCHISOR's reputation and goodwill. FRANCHISEE shall maintain FRANCHISOR's high standards with respect to facilities, services, products, and operations.

7.2 **<u>Use of Franchised Location.</u>** FRANCHISEE shall utilize the Franchised Location solely for the operation of a Franchised Business; shall keep the Franchised Business open and in normal operation for such minimum hours and days as FRANCHISOR may specify in the Manuals or otherwise in writing; and shall refrain from using or permitting the use of the Franchised Location for any other purpose or activity. The Proprietary Marks, any Internet domain names, URLs, copyrights, toll-free "1-800", "1-888" and "1-877" telephone numbers or other like toll-free telephone numbers which may be utilized by FRANCHISOR, or its Affiliates, and their mnemonics and other identifying marks constituting a part of the System, now or in the future, shall be used solely in connection with the operation of the Franchised Business at the Franchised Location. Nothing contained in this Agreement shall be construed to authorize or permit the use by FRANCHISEE of the System, the Proprietary Products or the Proprietary Marks, any Internet domain names, URLs, toll-free "1-800", "l-888" or "l-877" telephone numbers, or any confusingly similar imitations of the same, at any location other than the Franchised Location, on the World Wide Web section of the Internet or for any other purpose whatsoever.

7.3 **System Standards.** To insure that the highest degree of quality and service is maintained, FRANCHISEE shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as FRANCHISOR may from time to time prescribe in the Manuals or otherwise in writing. FRANCHISEE shall refrain from: (a) deviating from such standards, specifications, and procedures without FRANCHISOR's prior written consent, and (b) otherwise operating in any manner which reflects adversely on the Proprietary Marks or the System. Without limiting the generality of the foregoing, FRANCHISEE agrees:

7.3.1 To maintain in sufficient supply, and use at all times, only such products, equipment, materials, signs, menu items, ingredients, and supplies as conform to FRANCHISOR's standards and specifications and to refrain from using non-conforming items.

7.3.2 To purchase, use, offer and/or promote, and maintain in stock at the Franchised Business (i) in such quantities as are needed to meet reasonably anticipated consumer demand, the frozen yogurt mixes, beverages, food products and other ingredients which are produced or manufactured in accordance with FRANCHISOR's proprietary recipes, specifications and /or formulas or which FRANCHISOR designates as **"Proprietary Products".**

7.3.3 To sell or offer for sale only such items, authorized products and services as meet FRANCHISOR's uniform standards of quality, as have been expressly approved for sale in writing by FRANCHISOR under the specific name designated by FRANCHISOR and shall be prepared and served strictly in accordance with FRANCHISOR's recipes and specifications; shall sell or offer for sale, all products, and services required by FRANCHISOR in the Manuals or otherwise in writing as being part of the System; shall not deviate from FRANCHISOR's methods, standards, and specifications regarding, without limitation, quality and dimensions of products sold; and shall discontinue selling and offering for sale any products or services which FRANCHISOR may, in its sole discretion, disapprove in writing at any time.

7.3.4 To purchase and install, at FRANCHISEE's expense, all fixtures, furnishings, equipment, decor, signs, and other items as FRANCHISOR may reasonably direct from time to time in the Manual or otherwise in writing in accordance with FRANCHISOR' s standards and specifications; and shall refrain from installing or permitting to be installed on or about the Franchised Location, any fixtures, furnishings, equipment, decor, signs, vending or game machines or other items not previously approved in writing as meeting FRANCHISOR's standards and specifications.

7.3.5 That all premium signature tea drinks and other complimentary snack products and beverage items served from the Franchised Business shall be served in packaging and containers bearing accurate reproductions of the Proprietary Marks as may be required by FRANCHISOR. All containers, napkins, bags, cups, menus and other packaging and like articles used in connection with the Franchised Business shall conform to FRANCHISOR's specifications, shall be imprinted with the Proprietary Marks, if and as specified by FRANCHISOR, and shall be purchased by FRANCHISEE from a distributor or manufacturer approved in writing by FRANCHISOR (which may include FRANCHISOR or its Affiliates), as provided in Paragraph 7.4 of this Agreement, which approval will not be unreasonably withheld.

7.4 **Purchases of Products, Equipment, Supplies and Materials.** FRANCHISEE shall purchase all products, equipment (including, without limitation, all frozen yogurt machines, refrigerators, freezers and blenders), supplies and materials used or sold by the Franchised Business, including, without limitation the Proprietary Products, solely from suppliers (including FRANCHISOR, or its Affiliates, and manufacturers, wholesalers, and distributors) who demonstrate, to FRANCHISOR's continuing reasonable satisfaction, the ability to meet FRANCHISOR's reasonable standards and specifications for such items, who possess adequate quality controls and capacity to supply FRANCHISEE's needs promptly and reliably, and who have been approved by FRANCHISOR in the Manuals or otherwise in writing and not thereafter disapproved. FRANCHISEE acknowledges and agrees that FRANCHISOR and its Affiliates may negotiate purchase arrangements with suppliers for FRANCHISEE's benefit and may derive revenue or obtain rebates, bulk pricing discounts or allowances for their own account from approved or designated suppliers if rebates or other considerations become available because of FRANCHISEE's purchases of products or services. If FRANCHISEE desires to purchase products from other than approved suppliers, FRANCHISEE shall submit to FRANCHISOR a written request to approve the proposed supplier, together with such evidence of conformity with FRANCHISOR's specifications as FRANCHISOR may reasonably require, or shall request the supplier itself to do so. FRANCHISOR shall have the right to inspect and evaluate the supplier's facilities and products to be supplied, and FRANCHISEE shall pay all of FRANCHISOR's reasonable expenses incurred in so doing or a minimum of $500. FRANCHISOR may from time to time re-inspect and re-evaluate the facilities and products of any approved supplier and revoke its general approval of particular products or suppliers when FRANCHISOR determines, in its sole discretion, that such products or suppliers no longer meet FRANCHISOR's standards. Upon receipt of written notice of such revocation, FRANCHISEE shall cease to sell any disapproved products and cease to purchase from any disapproved supplier.

7.5 **Purchases from Franchisor or its Affiliates.** FRANCHISOR and its Affiliates may act as suppliers of goods, services, products, and/or supplies to be purchased by FRANCHISEE, including, without limitation, the Proprietary Products **("TEA STATION Goods and Services"),** and may designate themselves as the sole suppliers of any such TEA STATION Goods and Services.

7.5.1 All TEA STATION Goods and Services purchased from FRANCHISOR or its Affiliates shall be purchased in accordance with the purchase order format issued from time to time by FRANCHISOR, the current form of which shall be set forth in the Manuals. FRANCHISOR may change the prices, delivery terms and other terms relating to its sale of TEA STATION Goods and Services to FRANCHISEE on prior written notice, provided, that such prices shall be the same as the prices charged to similarly situated TEA STATION franchisees and which shall be reasonable based upon the costs associated with such TEA STATION Goods and Services. FRANCHISOR, in its discretion, may discontinue the sale of any Goods or Services at any time if in FRANCHISOR's judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable. All product orders by FRANCHISEE shall be subject to acceptance by FRANCHISOR at FRANCHISOR's designated offices, and FRANCHISOR reserves the right to accept or reject, in whole or in part, any order placed by FRANCHISEE. FRANCHISEE shall submit to FRANCHISOR, upon written request, financial statements which contain sufficient information to enable FRANCHISOR to determine the credit limits, if any, to be extended to FRANCHISEE. FRANCHISOR, in its sole discretion, may establish the credit terms, if any, upon which it will accept FRANCHISEE's orders, and may require FRANCHISEE to pay for orders on a cash-in-advance or cash-on-delivery basis.

7.5.2 Each order placed by FRANCHISEE, whether oral or written, for any product shall be deemed to incorporate all of the terms and conditions of this Agreement, shall be deemed subordinate to this Agreement in any instance where any term or condition of such order conflicts with any term or condition of this Agreement, and shall include such information as FRANCHISOR may from time to time specify, and shall be submitted on such form of purchase order as may be prescribed by FRANCHISOR from time to time. No purchase order submitted by FRANCHISEE shall contain any terms except as approved in writing by FRANCHISOR, nor be deemed complete unless all of the information required by the prescribed purchase order form, as revised from time to time, is provided by FRANCHISEE. No new or additional term or condition contained in any order placed by FRANCHISEE shall be deemed valid, effective or accepted by FRANCHISOR unless such term or condition shall have been expressly accepted by FRANCHISOR in writing.

7.5.3 FRANCHISOR shall not be liable to FRANCHISEE on account of any delay or failure in the manufacture, delivery or shipment of goods or products caused by Force Majeure or other events or circumstances beyond FRANCHISOR's reasonable control including such events as labor or material shortages, conditions of supply and demand, import/export restrictions, or disruptions in FRANCHISOR's supply sources.

7.5.4 On the expiration or termination of this Agreement, or in the event of any default by FRANCHISEE of this Agreement, FRANCHISOR shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by FRANCHISEE, and FRANCHISOR may notify its approved suppliers of any impending termination or expiration of this Agreement and may, among other things, instruct such suppliers to deliver only such quantity of Proprietary Products as is reasonably necessary to supply FRANCHISEE's needs prior to the expiration or termination date of this Agreement.

7.6 **Cooperation with Inspection.** FRANCHISEE shall permit FRANCHISOR or its agents, at any reasonable time, to remove from the Franchised Business representative samples of any ingredients, products, materials, supplies, and paper goods used in the operation of the Franchised Business, without payment therefore, in amounts reasonably necessary for testing by FRANCHISOR or an independent laboratory, for the purposes of determining whether the samples meet FRANCHISOR's then-current standards and specifications. In addition to any other remedies it may have under this Franchise Agreement, FRANCHISOR may require FRANCHISEE to bear the cost of such testing if the supplier has not been approved by FRANCHISOR or if the sample fails to conform to FRANCHISOR's specifications.

7.7 **Maintenance of Franchised Location.** FRANCHISEE shall maintain the Franchised Location (including adjacent public areas) in a clean, orderly condition and in excellent repair; and, in connection therewith, FRANCHISEE shall, at its expense, make such additions, alterations, repairs, and replacements under this Agreement (but no others without FRANCHISOR's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting, repairing, and replacing of obsolete or deteriorated signs, furnishings, fixtures, equipment, and decor as FRANCHISOR may reasonably direct by written notice to FRANCHISEE. FRANCHISEE shall complete all work specified in any such notice within the time frame FRANCHISOR may reasonable specify.

7.8 **Re-Imaging of Franchised Location.** FRANCHISEE shall at its own expense, make such alterations, additions, or modifications to the Franchised Location as FRANCHISOR may reasonably require to accommodate changes made by FRANCHISOR to the System, including, without limitation, changes to menu items or market positioning. FRANCHISEE shall have ninety (90) days from receipt of notice from FRANCHISOR regarding re-imaging requirements in which to make the required alterations, additions, or modifications to the Franchised Location.

7.9 **Refurbishment of Franchised Location.** At FRANCHISOR's request, but not more often than once every thirty (30) months (and in addition to any work which FRANCHISEE may undertake pursuant to other sections of this Agreement), FRANCHISEE shall refurbish the Franchised Location, at its own expense, to conform to the building design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current public image for new or remodeled TEA STEATION Stores in the System, including, without limitation, replacement or renovation of equipment; remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that FRANCHISOR may reasonably require or that may be required by law. The cost to FRANCHISEE for such refurbishment shall not exceed $10,000 for refurbishment of the interior of the Franchised Business and shall not exceed $5,000 for refurbishment of the exterior of the Franchised Business, plus an annual increase in each of these amounts at the anniversary of the Effective Date, by an amount equal to the percentage increase in the Consumer Price Index, all Urban Consumers, published by the U.S. Department of Labor Statistics or any successor Index, for the metropolitan area surrounding the Franchised Location for the period most comparable to the yearly anniversary date.

7.10 **<u>Franchisee Employee Policy; Uniforms and Employee Appearance.</u>**

7.10.1 After the Franchised Business has opened to the public, FRANCHISEE shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as FRANCHISOR may establish from time to time in the Manuals or otherwise in writing. In the event FRANCHISEE or its Affiliates own and operate multiple TEA STATION Stores, FRANCHISOR may require, in its sole discretion, FRANCHISEE to employ a general operations manager responsible for the oversight of operations at all TEA STATION Stores owned and operated by FRANCHISEE or its Affiliates. FRANCHISEE shall be solely responsible for all employment decisions and functions of the Franchised Business, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees, and regardless of whether FRANCHISEE receives advice from FRANCHISOR on these subjects.

7.10.2 FRANCHISEE shall cause all employees, while working in the Franchised Business, to: (i) wear uniforms of such color, design, and other specifications as FRANCHISOR may designate from time to time, and (ii) present a neat and clean appearance. If FRANCHISOR removes the type of uniform utilized by FRANCHISEE from the list of approved uniforms, FRANCHISEE shall have ninety (90) days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform. In no case shall any employee of FRANCHISEE wear his or her TEA STATION uniform while working for FRANCHISEE at any location other than the Franchised Business.

7.11 **<u>Modification to the System.</u>** FRANCHISEE shall not implement any modification to the System without the express prior written consent of FRANCHISOR. FRANCHISEE shall notify FRANCHISOR in writing of any proposed modification, and shall provide to FRANCHISOR such information as FRANCHISOR requests regarding such modification. FRANCHISOR shall have the right to incorporate the modification into the System without compensation to FRANCHISEE.

7.12 **<u>Lease or Sublease.</u>** FRANCHISEE shall comply with all terms of its Lease with a third-party landlord (a **"Lease")** or a sublease with FRANCHISOR, or its Affiliates (a **"Sublease"),** for the Franchise Location, and all other agreements affecting the operation of the Franchised Business; and shall refrain from any activity which may jeopardize FRANCHISEE's right to remain in possession of, or to renew the Lease or Sublease for, the Franchised Location. If FRANCHISEE will occupy the Franchised Location under a Lease with a third-party landlord, approval of the Lease by FRANCHISOR may be conditioned upon the inclusion of any one or more of the following terms and conditions:

7.12.1 The initial term of the Lease, or the initial term together with extended terms, shall be for not less than five (5) years.

7.12.2 A provision consenting to FRANCHISEE's use of such Proprietary Marks and signage as FRANCHISOR may now or hereafter prescribe for the Franchised Business.

7.12.3 A provision which restricts the use of the leased premises solely to the operation of the Franchised Business.

7.12.4 A provision which prohibits FRANCHISEE from subleasing or assigning all or any part of its occupancy rights or extending the term of or renewing the Lease without FRANCHISOR's prior written consent.

7.12.5 A provision requiring that the lessor provide to FRANCHISOR copies of any and all notices of defaults given to FRANCHISEE under the Lease.

7.12.6 A provision granting FRANCHISOR the right to enter the Franchised Business to make modifications necessary to protect the Proprietary Marks or the System, or to cure any default under this Agreement or under the Lease.

7.12.7 A provision granting FRANCHISOR or FRANCHISOR's designee the option, exercisable within fifteen (15) days after receipt of any notice of default or termination from the landlord, without the landlord's further consent, to assume all of FRANCHISEE's rights under the Lease, including the right to assign or sublease the Franchised Location and the right to exercise all outstanding renewal options in accordance with the provisions of the Lease.

7.13 **Unconditional Right of Franchisee to Set Prices for Tea Station Goods and Services.** FRANCHISEE shall have the right to advertise and sell all products and services at any prices FRANCHISEE may determine, in its sole and absolute discretion, and shall in no way be bound by any price which may be recommended, suggested, or advertised by FRANCHISOR.

7.14 **Participation in Programs.** FRANCHISEE shall at all times cooperate with FRANCHISOR and other franchisees of FRANCHISOR and shall actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs which may be developed and implemented by FRANCHISOR which call for the cooperation of FRANCHISEE and other franchisees of FRANCHISOR and shall further cooperate in any additional programs which may be established and designated by FRANCHISOR from time to time including participating in market research programs, the test-marketing of new products and other similar programs for the benefit of the System, and shall purchase a reasonable quantity of new products for test-marketing, promote the sale of the tested products and provide FRANCHISOR with timely reports and test results of such programs for its review, analysis and compilation.

7.15 **Notification of Legal Proceedings; and Crisis Management Events.** FRANCHISEE shall notify FRANCHISOR in writing within ten (10) days after FRANCHISEE receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect FRANCHISEE's operation of the Franchised Business or ability to meet its obligations under this Agreement. Upon the occurrence of a **"Crisis Management Event"**, FRANCHISEE shall immediately inform FRANCHISOR's President (or as otherwise instructed in the Manuals) by telephone. FRANCHISEE shall cooperate fully with FRANCHISOR with respect to FRANCHISOR's response to the Crisis Management Event. For purposes of this Agreement, **"Crisis Management Event"** means any event that occurs at or about the Franchised Business that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Proprietary Marks, or image or reputation of TEA STATION Stores, FRANCHISOR or its Affiliates.

7.16 **Signs.** FRANCHISEE shall maintain approved signs and / or awnings at, on, or near the front of the Franchised Business, identifying the Franchised Location as a TEA STATION Store, which shall conform in all respects to FRANCHISOR' s specifications and requirements and the layout and design plan approved for the Franchised Location, subject only to restrictions imposed by applicable law. On receipt of notice by FRANCHISOR of a requirement to alter any existing sign on the Franchised Business, FRANCHISEE will, at FRANCHISEE's cost, make the required changes within sixty (60) days, subject to the approval of the landlord if required by FRANCHISEE's Lease.

7.17 **Compliance with Governmental Regulations.** FRANCHISEE shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business, and shall timely obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Franchised Business including, without limitation, licenses to do business, fictitious name registration, sales tax permits, certificate of occupancy, health permits, and fire clearances.

7.18 **Vending or Other Machines.** FRANCHISEE shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Franchised Location.

7.19 **Co-Branding.** FRANCHISEE may not engage in any co-branding in or in connection with the Franchised Business except with FRANCHISOR' s prior written consent. FRANCHISOR shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if FRANCHISOR has recognized that co-branding chain as an approved co-brand for operation within TEA STATION Stores. **"Co-branding"** includes the operation of an independent business, product line or operating system owned or licensed by another entity (not FRANCHISOR) that is featured or incorporated within the Franchised Business or is adjacent to the Franchised Location and operated in a manner which is likely to cause the public to perceive it to be related to the Franchised Business licensed and franchised under this Agreement. An example would be an independent yogurt store or counter installed within the Franchised Location.

7.20 **Intranet.** FRANCHISOR may, at its option, establish and maintain an Intranet through which franchisees of FRANCHISOR may communicate with each other, and through which FRANCHISOR and FRANCHISEE may communicate with each other and through which FRANCHISOR may disseminate the Manuals, updates thereto and other confidential information. FRANCHISOR shall have sole and absolute discretion and control over all aspects of the Intranet, including the content and functionality thereof. FRANCHISOR will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to FRANCHISEE.

7.20.1 If FRANCHISOR establishes an Intranet, FRANCHISEE shall only have the privilege to use the Intranet, subject to FRANCHISEE's strict compliance with the standards and specifications, protocols and restrictions that FRANCHISOR may establish from time to time. Such standards and specifications, protocols and restrictions may relate to, among other things, (a) the use of abusive, slanderous or otherwise offensive language in electronic communications, (b) communications between or among franchisees that endorse or encourage default of any franchisee's franchise agreement, or other agreement with FRANCHISOR or its Affiliates, (c) confidential treatment of materials that FRANCHISOR transmits via the Intranet, (d) password protocols and other security precautions, (e) grounds and procedures for FRANCHISOR' s suspending or revoking a franchisee's access to the Intranet, and (f) a privacy policy governing FRANCHISOR's access to and use of electronic communications that franchisees post to the Intranet. FRANCHISEE acknowledges that, as administrator of the Intranet, FRANCHISOR can technically access and view any communication that any person posts on the Intranet. FRANCHISEE further acknowledges that the Intranet facility and all communications that are posted to it will become FRANCHISOR' s property, free of any claims of privacy or privilege that FRANCHISEE or any other person may assert.

7.20.2 Upon receipt of notice from FRANCHISOR that FRANCHISOR has established the Intranet, FRANCHISEE shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows FRANCHISOR to send messages to and receive messages from FRANCHISEE, subject to the standards and specifications.

7.20.3 At FRANCHISOR's request, FRANCHISEE shall contribute a reasonable amount, not to exceed $1,000 per year, toward the cost of the Intranet's maintenance, which may vary from year to year during the term of this Agreement and shall pay the same to FRANCHISOR in the manner and at the times that FRANCHISOR may establish in the Manuals or otherwise from time to time.

7.20.4 If FRANCHISEE shall default under this Agreement or any other agreement with FRANCHISOR or its Affiliates, FRANCHISOR may, in addition to, and without limiting any other rights and remedies available to FRANCHISOR, disable or terminate FRANCHISEE' s access to the Intranet without FRANCHISOR having any liability to FRANCHISEE, and in which case FRANCHISOR shall only be required to provide FRANCHISEE a paper copy of the Manuals and any updates thereto, if none have been previously provided to FRANCHISEE, unless not otherwise entitled to the Manuals.

8. **PROPRIETARY MARKS**

8.1 **Franchisor Representations Concerning Proprietary Marks.** FRANCHISOR represents with respect to the Proprietary Marks that:

8.1.1 FRANCHISOR has obtained from its Affiliate a license to use, and to license others to use, the Proprietary Marks.

8.1.2 All steps reasonably necessary to preserve and protect the validity of the Proprietary Marks, and FRANCHISOR's right to use and license others to use, the Proprietary Marks will be taken.

8.1.3 FRANCHISOR will use and permit FRANCHISEE and other TEA STATION franchisees to use the Proprietary Marks only in accordance with the System and the standards and specifications attendant to this Agreement which underlie the goodwill associated with and symbolized by the Proprietary Marks.

8.2 **Franchisee Representations Concerning Proprietary Marks.** FRANCHISEE agrees that:

8.2.1 FRANCHISEE shall use only the Proprietary Marks designated by FRANCHISOR, shall use them only in the manner authorized and permitted by FRANCHISOR and only with the letters "®", **"TM," "SM"** or "©", as appropriate, as instructed by FRANCHISOR, whenever and wherever the Proprietary Marks shall be used.

8.2.2 FRANCHISEE shall use the Proprietary Marks only for the operation of the Franchised Business, and only at the Franchised Location or in connection with FRANCHISOR approved advertising for the Franchised Business.

8.2.3 Unless otherwise authorized or required by FRANCHISOR, FRANCHISEE shall operate and advertise the Franchised Business only under the name **"TEA STATION"** without prefix or suffix.

8.2.4 FRANCHISEE shall identify itself as an independent franchisee-owner of the Franchised Business in conjunction with any use of the Proprietary Marks or the operation of the Franchised Business, including, but not limited to, such use on invoices, order forms, receipts, business stationery and contracts, as well as at such conspicuous locations on the Franchised Location as FRANCHISOR may designate in writing. The form and content of such identification shall comply with standards set forth in the Manuals.

8.2.5 FRANCHISEE's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement.

8.2.6 FRANCHISEE shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of FRANCHISOR.

8.2.7 FRANCHISEE shall execute any documents deemed necessary by FRANCHISOR or its Affiliates to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

8.2.8 FRANCHISEE shall not use the Proprietary Marks as part of its corporate or other legal name.

8.2.9 FRANCHISEE shall promptly notify FRANCHISOR of any suspected unauthorized use of, or any challenge to the validity of the Proprietary Marks, or any challenge to FRANCHISOR' s or FRANCHISOR' s Affiliate's ownership of, FRANCHISOR's license to use and to license others to use, or FRANCHISEE's right to use, the Proprietary Marks licensed under this Agreement. FRANCHISEE acknowledges that FRANCHISOR or its Affiliate has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Proprietary Marks, including any settlement thereof. FRANCHISOR or its Affiliate has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. FRANCHISOR shall defend FRANCHISEE against any third-party claim, suit, or demand arising out of FRANCHISEE's use of the Proprietary Marks. If FRANCHISOR, in its sole discretion, determines that FRANCHISEE has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by FRANCHISOR. If FRANCHISOR, in its sole discretion, determines that FRANCHISEE has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by FRANCHISEE. In the event of any litigation relating to FRANCHISEE's use of the Proprietary Marks, FRANCHISEE shall execute any and all documents and do such acts as may, in the opinion of FRANCHISOR, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of FRANCHISEE's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, FRANCHISOR agrees to reimburse FRANCHISEE for its out-of-pocket litigation costs in doing such acts.

8.3 **Franchisee Acknowledgments Concerning Proprietary Marks.** FRANCHISEE expressly understands and acknowledges that:

8.3.1 FRANCHISOR or its Affiliate is the owner of all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them and FRANCHISOR has the right to use, and license others to use, the Proprietary Marks.

8.3.2 The Proprietary Marks are valid and serve to identify the System and those who are franchised under the System.

8.3.3 During the term of this Agreement and after its expiration or termination, FRANCHISEE shall not directly or indirectly contest the validity of, or FRANCHISOR's or FRANCHISOR's Affiliate's ownership of the Proprietary Marks, nor take any other action which may tend to jeopardize FRANCHISOR's or FRANCHISOR's Affiliate's interest in this Agreement, or FRANCHISOR's right to use, and to license others to use, the Proprietary Marks.

8.3.4 FRANCHISEE's use of the Proprietary Marks pursuant to this Agreement does not give FRANCHISEE any ownership interest or other interest in or to the Proprietary Marks other than the license granted by this Agreement. FRANCHISEE shall have no right to modify, alter, change, or revise any Proprietary Marks or to use the Proprietary Marks for any other purpose other than for the Franchised Business pursuant to the terms of this Agreement.

8.3.5 Any and all goodwill arising from FRANCHISEE's use of the Proprietary Marks shall inure solely and exclusively to the benefit of FRANCHISOR or its Affiliate, and upon expiration or termination of this Agreement and the license in this Agreement granted, no monetary amount shall be assigned as attributable to any goodwill associated with FRANCHISEE's use.

8.3.6 Except as otherwise provided in Paragraph 1.2 of this Agreement, the right and license of the Proprietary Marks granted under this Agreement to FRANCHISEE is nonexclusive, and FRANCHISOR and its Affiliates have and retain the rights described in Paragraph 1 .3 of this Agreement, and, among others: (a) to use the Proprietary Marks themselves in connection with selling products and services; (b) to grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses or franchises to this Agreement without providing any rights in this Agreement to FRANCHISEE.

8.3.7 FRANCHISOR reserves the right to change, revise, or substitute different proprietary marks for use in identifying the System, the Franchised Business, and products sold or offered for sale through the Franchised Business, if the Proprietary Marks no longer can be used, or if FRANCHISOR, in its sole discretion, determines that substitution of different proprietary marks will be beneficial to the System. In such circumstances, the use of the substituted proprietary marks shall be governed by the terms of this Agreement, and FRANCHISOR shall not compensate FRANCHISEE for such substitution and shall bear only the costs of modifying FRANCHISEE's signs and advertising materials to conform to FRANCHISOR's new proprietary marks. If FRANCHISOR's currently licensed Proprietary Marks can no longer be used, FRANCHISEE shall implement promptly any such substitution.

8.3.8 FRANCHISOR shall have the right, at all reasonable times, at the Franchised Business and elsewhere, to inspect the products and services on which the Proprietary Marks shall be used as FRANCHISOR considers necessary to carry out the purposes of inspection as part of appropriate quality control. Upon request, FRANCHISEE shall submit to FRANCHISOR all packages, labels, advertising, displays, advertising brochures and other materials used in connection with the goods and/or services bearing the Proprietary Marks and FRANCHISEE specifically undertakes to amend to the satisfaction of FRANCHISOR any such package, labels, advertising displays, advertising brochures and other materials which are not approved by FRANCHISOR.

8.4 **Changes in Law Affecting Proprietary Marks.** In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, FRANCHISEE shall execute any documents, and do such acts and things as in the opinion of FRANCHISOR may be necessary to affect the intent and purpose of the provisions of this Agreement; provided, however, that FRANCHISOR shall bear all costs associated with such request.

9. CONFIDENTIAL MANUALS AND INFORMATION

9.1 **Use of Manuals.** FRANCHISEE shall operate the Franchised Business in accordance with the standards, methods, policies, and procedures specified in the Manuals. FRANCHISEE shall treat the Manuals created for or approved for use in the operation of the Franchised Business, and the information contained in this Agreement, as confidential, and shall maintain such information as secret and confidential. FRANCHISOR may deliver the Manuals to FRANCHISEE in written and/or electronic format and FRANCHISEE shall not at any time copy, duplicate, record, or otherwise reproduce the Manuals, in whole or in part, or otherwise make the same available to any unauthorized person. The Manuals shall at all times remain the sole property of FRANCHISOR and shall be kept in a secure place at the Franchised Location. FRANCHISEE shall ensure that its copy of the Manuals is kept current at all times, and in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by FRANCHISOR shall be controlling.

9.2 **Confidentiality of Information.** FRANCHISEE shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of, anyone else, any confidential information, knowledge, or know-how concerning the methods of operation of the Franchised Business which may be communicated to FRANCHISEE, or of which FRANCHISEE may be apprised, by virtue of FRANCHISEE's operation under the terms of this Agreement. FRANCHISEE shall divulge such confidential information only to such of its employees as must have access to it in order to perform their employment responsibilities. Any and all matters, information, knowledge, know-how, techniques, Proprietary Products, and other data which FRANCHISOR designates as confidential shall be deemed confidential for purposes of this Agreement.

9.3 **Irreparable Injury from Disclosure of Confidential Information.** FRANCHISEE acknowledges that failure to comply with the requirements of this Section 9 will result in irreparable injury to FRANCHISOR for which no adequate remedy at law may be available, and FRANCHISEE consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by FRANCHISOR in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 9.

9.4 **Confidentiality Covenants from Individuals Associated with Franchisee.** FRANCHISEE shall require any employee who may have access to any confidential information of FRANCHISOR to execute covenants that they will maintain the confidentiality of information they receive in connection with their association with FRANCHISEE. Such covenants shall be in a form satisfactory to FRANCHISOR, including, without limitation, specific identification of FRANCHISOR as a third party beneficiary of such covenants with the independent right to enforce them.

10. ACCOUNTING AND RECORDS

10.1 **POS System, Software and Computer System.** FRANCHISEE shall purchase, use and maintain the computerized point of sale cash collection system (including all related hardware and software) as specified in the Manuals or otherwise by FRANCHISOR in writing for use in connection with the Franchised Business (the **"POS System").** The POS System must be connected to a telephone line (or other communications medium specified by FRANCHISOR) at all times and be capable of accessing the Internet via a designated third party network for the purpose of implementing software, transmitting and receiving data, accessing the Internet for ordering and maintaining the POS System. The POS System shall be electronically linked to FRANCHISOR or its designated Affiliate, and FRANCHISEE shall allow FRANCHISOR and/or its designated Affiliate, to poll the POS System on a daily or other basis at such times and in such manner as established by the FRANCHISOR or its designated Affiliate, with or without notice, and to retrieve such transaction information including sales, sales mix, usage, and other operations data as FRANCHISOR and/or its designated Affiliate deems appropriate. Within a reasonable time upon FRANCHISOR's request, FRANCHISEE shall apply for and maintain debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to purchase TEA STATION products via such procedure, as specified by FRANCHISOR. FRANCHISOR may require FRANCHISEE to update, upgrade or replace the POS System, including hardware and/or software, from time to time upon written notice, provided that FRANCHISEE shall not be required to replace the POS System any more frequently than once every three (3) years.

10.1.1 If FRANCHISOR designates certain computer software to be used in the operation of the POS System and/or FRANCHISEE's computer system which is owned or licensed by FRANCHISOR (**"Proprietary Software"**), FRANCHISEE shall at FRANCHISOR's request license or sublicense such software from FRANCHISOR or its designee and enter into a software license agreement on FRANCHISOR's or such designee's then-current form. From time to time, FRANCHISEE shall purchase any upgrades, enhancements or replacements to the Proprietary Software. FRANCHISOR shall provide to FRANCHISEE, for a reasonable fee, such support services relating to the Proprietary Software as FRANCHISOR deems advisable. FRANCHISEE must incorporate any required modifications or additions within thirty (30) days after receiving written notice from FRANCHISOR, unless a longer time period is stated in the notice.

10.1.2 Upon not less than sixty (60) days prior written notice from FRANCHISOR, FRANCHISEE shall purchase, use and maintain a personal computer system as specified in the Manuals or otherwise by FRANCHISOR in writing for use in connection with the Franchised Business (the **"Computer System"**). FRANCHISOR may also designate certain computer software to be used in the operation of the Franchised Business. FRANCHISOR may require FRANCHISEE to maintain an e-mail account and connect the Computer System to a dedicated telephone line (or other communications medium specified by FRANCHISOR) at all times and be capable of accessing the internet via a designated third party network. FRANCHISEE shall obtain all software and hardware, including digital still and video cameras, as FRANCHISOR may specify to enable FRANCHISEE to send and receive e-mail and digital photos and streaming video or other multimedia signals and information to and from the Franchised Location, and FRANCHISEE shall, from time to time, upon FRANCHISOR's request transmit digital photos and real time video and audio signals of the Franchised Location to, and in the form and manner prescribed by, FRANCHISOR. FRANCHISEE shall purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software as FRANCHISOR may from time to time require. Upon request, FRANCHISEE shall permit FRANCHISOR to access the Computer System and the files stored therein via any means specified, including electronic polling communications.

10.2 **Maintenance of POS and Computer Systems.** To ensure full operational efficiency and optimum communication capability between and among the POS System and Computer System installed by FRANCHISEE, and FRANCHISOR, and other franchisees, FRANCHISEE agrees, at its expense, to keep its POS System and Computer System in good maintenance and repair, and, at its expense, and following FRANCHISOR's determination that same will prove economically or otherwise beneficial to all System franchisees, to promptly install such additions, changes, modifications, substitutions and/or replacements to FRANCHISEE's POS System and Computer System, software, telephone and power lines, and other computer- related facilities, as FRANCHISOR directs.

10.3 **Maintenance of Records.** FRANCHISEE shall prepare, during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by FRANCHISOR from time to time in the Manuals or otherwise in writing.

10.4 **Submission of Financial Statements and Tax Returns.** FRANCHISEE shall, at its expense, provide FRANCHISOR with a copy of FRANCHISEE's financial statements showing the results of operations of the Franchised Business for each fiscal year during the term of this Agreement. The statements shall include a statement of income, balance sheet, and a statement of cash flows, accompanied by a review report, prepared by an independent certified public accountant satisfactory to FRANCHISOR using generally accepted accounting principles, and shall be furnished within ninety days after the end of each fiscal year of FRANCHISEE. FRANCHISEE also shall submit, within five (5) days of their filing, its federal and state tax returns for each year during the term of this Agreement; provided, however, that if FRANCHISEE is not a corporation, partnership, or limited liability company, FRANCHISEE may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Franchised Business.

10.5 **Submission of Performance Reports.** FRANCHISEE shall, at its expense, provide FRANCHISOR with a weekly statement, on forms prescribed by FRANCHISOR, accurately reporting all revenue and expense activity during the preceding week and such other data and information regarding operation of the Franchised Business as FRANCHISOR may require. The statement shall be due and remitted to FRANCHISOR in connection with FRANCHISEE's payment of royalty and advertising fees in accordance with Paragraphs 4.2, 4.3, and 4.4 of this Agreement. Each statement shall be signed by FRANCHISEE attesting that it is true and correct. FRANCHISEE also shall provide to FRANCHISOR, for review or auditing, such other forms, sales reports, cash register receipts, records, information, and data as FRANCHISOR may reasonably designate, on the forms and in the manner as are reasonably designated by FRANCHISOR. For purposes of reporting under the terms of this Agreement, the operating, accounting, and billing periods for FRANCHISEE shall be thirteen (13) four (4) week periods.

10.6 **Audit of Franchisee Records.** FRANCHISOR or its designated agents shall have the right at all reasonable times to examine and copy, at FRANCHISOR's expense, the books, records, accounts, and business tax returns of FRANCHISEE. FRANCHISOR shall also have the right, at any time, to have an independent audit made of the books and records of FRANCHISEE. If an inspection or audit reveals that any payments due to FRANCHISOR have been understated in any report to FRANCHISOR, then FRANCHISEE shall immediately pay to FRANCHISOR the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of ten percent (10%) per annum calculated monthly, or the maximum rate permitted by law, whichever is less. If an inspection or audit discloses an understatement in any report of three percent (3%) or more, FRANCHISEE shall, in addition to repayment of monies owed with interest, reimburse FRANCHISOR for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies FRANCHISOR may have because of such under reporting.

10.7 **Use of Financial Statements In Offering Circular.** FRANCHISEE hereby irrevocably consents to FRANCHISOR's use of information contained in its financial statements, at FRANCHISOR's election, in FRANCHISOR's Franchise Offering Circular for the offer and sale of franchises.

11. ADVERTISING

Recognizing the value of advertising and promotion, and the importance of the standardization of advertising and promotional programs to the furtherance of the goodwill and public image of TEA STATION Stores and the System, the parties agree as follows:

11.1 **Contribution.** FRANCHISEE shall pay to FRANCHISOR a continuing weekly advertising fee in an amount equal to two and a half percent (2.5%) of the Gross Revenue of the Franchised Business. FRANCHISOR, in its sole discretion, shall allocate such amount among contributions to the System-wide fund described in Paragraph 11.2 of this Agreement (the **"Fund"**) and expenditures on local advertising, and may, in its sole discretion, from time to time and at any time, modify both the allocation and amount of each FRANCHISEE's expenditures among the Fund and local advertising. Each TEA STATION Store owned by FRANCHISOR or an Affiliate of FRANCHISOR shall spend on advertising, to promote the System, each week, an amount which is calculated on the same basis as contributions and expenditures of similarly situated franchisees.

11.2 **The Fund.** FRANCHISOR shall have the right, in its sole discretion, but not the obligation, to establish, maintain, and administer the Fund. The following provisions shall apply to the Fund:

11.2.1 The Fund, all contributions to this Agreement, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting and developing the preparation of advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which the **"Administrator"** (as defined in. Paragraph 11 .22 of this Agreement), believes will enhance the image of the System, including, among other things, the costs of preparing and conducting media advertising campaigns in various media; preparation of direct mail advertising; market research; employing advertising and / or public relations agencies to assist in this Agreement; purchasing promotional items; conducting and administering in-store promotions; providing promotional and other marketing materials and services to the businesses operating under the System such as, but not limited to, coupons, merchandising materials, sales aids, and point-of-purchase materials; and providing menus and menu inserts.

11.2.2 The Fund shall be maintained and administered by an administrator (the **"Administrator"**) selected by FRANCHISOR. FRANCHISOR may select itself, an Affiliate, or a third party as Administrator. FRANCHISOR may change the Administrator, in its sole discretion, from time to time and at any time. The activities of the Fund may be coordinated with the advertising and promotional programs for units owned by FRANCHISOR or an Affiliate of FRANCHISOR.

11.2.3 The Administrator shall direct all advertising and promotional programs, with sole discretion over the creative concepts; materials, and media used in such programs, and the placement and allocation thereof. FRANCHISEE agrees and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks for the benefit, of the System; and that the Administrator is not obligated, in administering the Fund, to make expenditures for FRANCHISEE which are equivalent or proportionate to FRANCHISEE's contribution, or to ensure that any particular franchisee benefits directly or pro rata from the advertising or promotion conducted under the Fund.

11.2.4 All sums paid to the Fund shall be maintained in an account separate from the other monies of FRANCHISOR and shall not be used to defray any expenses of FRANCHISOR or the Administrator, except for such reasonable costs and overhead, if any, as each may incur in activities reasonably related to the administration or direction of the Fund and advertising programs, including, among other things, costs of personnel for creating and implementing advertising, promotional, and marketing programs. The Fund and any earnings thereon shall not otherwise inure to the benefit of FRANCHISOR or the Administrator.

FRANCHISOR shall maintain separate bookkeeping accounts for the Fund. Any unused monies in the Fund at the end of a year may be used in the next year.

11.2.5 A statement of the operations of the Fund as shown on the books of the Fund shall be prepared annually by the Administrator and furnished to FRANCHISEE upon FRANCHISEE's request.

11.3 **Local Advertising.** FRANCHISEE shall spend up to two percent (2%) of the Gross Revenue as a minimum amount for local advertising purposes. All local advertising and promotion by FRANCHISEE shall be in such media and of such type and format as FRANCHISOR may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as set forth in the Manuals or otherwise in writing. FRANCHISEE shall not use any advertising or promotional plans or materials unless and until FRANCHISEE has received written approval from FRANCHISOR, pursuant to the procedures and terms set forth in Paragraph 11.4 of this Agreement. Approval, if granted, shall remain in effect until notice from FRANCHISOR to discontinue further use. FRANCHISEE shall administer FRANCHISEE's local store marketing funds. Within thirty (30) days after the end of each calendar year, FRANCHISEE shall provide FRANCHISOR with copies of all invoices, statements, canceled checks or other forms of payment which FRANCHISEE has issued during the preceding calendar year which evidence FRANCHISEE's expenditure and payment for pre-approved local advertising programs. FRANCHISOR shall review the evidence of these expenditures and, if FRANCHISEE not spent the amount required for local advertising purposes, the difference between the amount required to be spent by FRANCHISEE for local advertising purposes during the preceding calendar year and the amount actually spent by FRANCHISEE for local advertising purposes during the preceding calendar year must be paid to the Fund within thirty (30) days.

11.4 **Approval of Franchisee Advertising Materials.** FRANCHISEE shall submit samples of all advertising and promotional plans and materials to FRANCHISOR (through the mail, return receipt requested), prior to their use, and may commence use of such plans or materials fifteen (15) days after FRANCHISOR's receipt, unless prior to this Agreement, FRANCHISOR shall have furnished notice, in writing, to FRANCHISEE prohibiting such use. FRANCHISOR also shall have the right at any time after FRANCHISEE commences use of such material to prohibit further use, effective upon receipt of written notice by FRANCHISEE.

11.5 **Opening Advertising.** Immediately preceding and following the opening of the Franchised Business, FRANCHISEE shall conduct an initial local advertising and promotion program in the form and manner prescribed by FRANCHISOR. FRANCHISEE shall spend a minimum of $2,000 on grand opening advertising and promotion to publicize the opening of the Franchised Business. FRANCHISEE shall deliver to FRANCHISOR, upon FRANCHISOR's demand, but no later than thirty (30) days prior to the scheduled grand opening date of the Franchised Business, payment of $2,000 for the coordination of such grand opening advertising program.

11.6 **Telephone Listings.** FRANCHISEE shall, at its expense, and in accordance with any standards established in the Manuals, obtain boldface listings in the white and yellow pages of the principal telephone directory serving the Franchised Business.

12. **INSURANCE**

12.1 **Franchisee's Insurance Obligations**. FRANCHISEE shall procure, prior to the opening of the Franchised Business, and shall maintain in full force and effect at all times during the term of this Agreement, at FRANCHISEE's expense, an insurance policy or policies protecting FRANCHISEE, FRANCHISOR and its Affiliates, and their respective partners, shareholders, directors, agents, and employees, against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the operation of the Franchised Business. Such policy or policies shall: (a) be written by insurer(s) licensed and admitted to write coverage in the state in which the Franchised Business is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide; (b) name FRANCHISOR and its partners, shareholders, directors, agents, and employees as additional insureds; and (c) comply with the requirements prescribed by FRANCHISOR in writing at the time such policies are obtained, and provide at least the types and minimum amounts of coverage specified below or as revised by the Manuals. Such policies shall include, at the minimum, the following policies:

12.1.1 **"All risk"** property insurance, including business interruption insurance, customarily obtained by similar businesses in the store's principal trade area;

12.1.2 Comprehensive general liability insurance, including products and contractual, in an amount of not less than $2,000,000 combined single limit (CSL);

12.1.3 Workers' compensation insurance for statutory limits and employer's liability insurance in an amount not less than $1,000,000.

12.2 **Waiver of Subrogation.** In connection with any and all insurance required to be maintained by FRANCHISEE under Paragraph 12.1, FRANCHISEE and FRANCHISEE's insurers shall agree to waive their rights of subrogation against FRANCHISOR, and FRANCHISEE shall provide evidence of such waiver in accordance with Paragraph 12.5.

12.3 **Franchisee's Insurance Obligation Not Affected By Franchisor's Insurance.** FRANCHISEE's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by FRANCHISOR, nor shall FRANCHISEE's performance of that obligation relieve it of liability under the indemnity provisions set forth in Paragraph 19.4 of this Agreement.

12.4 **Additional Required Endorsement.** All public liability and property damage policies shall contain a provision that FRANCHISOR and its Affiliates, although named as an additional insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to FRANCHISOR, or its Affiliates, partners, shareholders, officers, directors, agents, or employees by reason of the negligence of FRANCHISEE.

12.5 **Certificates of Insurance**. At least ten (10) days prior to the time any insurance is first required to be carried by FRANCHISEE, and thereafter at least thirty (30) days prior to the expiration of any policy, FRANCHISEE shall deliver to FRANCHISOR and its Affiliates Certificates of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days prior written notice shall be given to FRANCHISOR and its Affiliates in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such Certificates. Certificates evidencing the insurance required by this Section 12 shall name FRANCHISOR and its Affiliates and each of their Affiliates, partners, shareholders, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of each shall not be affected by any breach by FRANCHISEE of any policy provisions for which such Certificates evidence coverage.

12.6 **Right to Secure Insurance on Behalf of Franchisee.** Should FRANCHISEE, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by FRANCHISOR in the Manual or otherwise in writing, FRANCHISOR and/or its Affiliates shall have the right and authority (but not the obligation) to immediately procure such insurance and to charge same to FRANCHISEE, which charges, together with the expenses of FRANCHISOR and/or its Affiliates in so acting, shall be payable by FRANCHISEE immediately upon notice. The foregoing remedies shall be in addition to any other remedies FRANCHISOR and its Affiliates may have.

13. TRANSFER OF INTEREST

13.1 **Transfer by Franchisor.** FRANCHISOR shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of FRANCHISOR's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of FRANCHISOR under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, FRANCHISEE expressly affirms and agrees that FRANCHISOR and or its Affiliates may sell their assets, the Proprietary Products, the Proprietary Marks, or the System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, FRANCHISEE expressly and specifically waives any claims, demands or damages arising from or related to the loss of FRANCHISOR's name, the Proprietary Products, the Proprietary Marks, the Proprietary Marks (or any variation thereof) and System and/or the loss of association with or identification of TEA O'LA, INC. as FRANCHISOR under this Agreement. FRANCHISEE specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. FRANCHISEE agrees that FRANCHISOR has the right, now or in the future, to purchase, merge, acquire or Affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as

TEA STATION Stores operating under the Proprietary Marks or any other marks following FRANCHISOR's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which FRANCHISEE acknowledges may be proximate to the Franchised Business).

13.2 **Transfer by Franchisee.** FRANCHISEE understands and acknowledges that the rights and duties set forth in this Agreement are personal to FRANCHISEE, and that FRANCHISOR has granted this franchise in reliance on FRANCHISEE's (or, if FRANCHISEE is a corporation, partnership, or limited liability company, its principals') business skill, financial capacity, and personal character. Accordingly, neither FRANCHISEE nor any immediate or remote successor to any part of FRANCHISEE's interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in FRANCHISEE shall sell, encumber, assign, transfer, convey, pledge, merge, or give away any direct or indirect interest in this Agreement, in FRANCHISEE, or in all or substantially all of the assets of the Franchised Business without the prior written consent of FRANCHISOR. Any change in the control of FRANCHISEE shall be deemed a transfer for purposes of this Agreement. Any purported assignment or transfer not having the written consent of FRANCHISOR required by this Paragraph 13.2 shall be null and void and shall constitute a material breach of this Agreement, for which FRANCHISOR may immediately terminate without opportunity to cure pursuant to Paragraph 14.2.4 of this Agreement.

13.3 **Requirements for Transfer by Franchisee.** FRANCHISOR may, in its sole discretion, require any or all of the following as conditions of its consent to a transfer set forth in Paragraph 13.2 of this Agreement:

13.3.1 FRANCHISEE shall not be in default of any provision of this Agreement, any amendment of this Agreement or successor to this Agreement, or any other agreement between FRANCHISEE and FRANCHISOR, or its Affiliates.

13.3.2 The transferor (and, if the transferor is other than an individual, the transferor and such other owners of a beneficial interest in the transferor as FRANCHISOR may request) shall execute a general release, in a form prescribed by FRANCHISOR, of any and all claims which the transferor may have or believes to have against FRANCHISOR and/or its Affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement, the Franchised Business or the Franchised Location, as well as claims, known or unknown, which are not based on, do not arise from or do not relate to this Agreement, the Franchised Business or the Franchised Location but which relate to other franchise agreements, stores, franchised locations and other agreements between FRANCHISOR or its Affiliates and FRANCHISEE which arose on or before the date of the general release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances, provided such release is fully mutual and has reciprocal language whereby FRANCHISOR releases FRANCHISEE from any and all claims during the same period.

13.3.3 The transferee (or, if the transferee is other than an individual, a principal of the transferee approved by FRANCHISOR) shall demonstrate to FRANCHISOR's satisfaction that the terms of the proposed assignment do not place an unreasonable financial burden on the transferee, and FRANCHISEE understands and acknowledges that FRANCHISOR shall be entitled, in connection with assessing the financial burden placed upon any prospective assignee, to share with such prospective assignee information relating to the Franchised Business, including information in FRANCHISOR's possession relating to operations and sales at the Franchised Business.

13.3.4 The transferee (or, if the transferee is other than an individual, a principal of the transferee approved by FRANCHISOR) shall demonstrate to FRANCHISOR's satisfaction that the terms of the proposed assignment do not place an unreasonable operational burden on the transferee, and that the transferee meets FRANCHISOR's standards for: (a) work experience and aptitude; (b) character and reputation; (c) absence of conflicting interests; and (d) such other criteria and conditions as FRANCHISOR shall then consider relevant in the case of an application for a new franchise by an applicant not currently operating a Franchised Business.

13.3.5 At FRANCHISOR's request, the transferee (and, if the transferee is other than an individual, such principals of the transferee as FRANCHISOR may request) shall execute, for a term ending on the Effective Date, the current standard form Franchise Agreement (and individual guarantees) then being offered to new System franchisees, which Franchise Agreement shall supersede this Agreement in all respects and the terms of which Franchise Agreement may differ materially from the terms of this Agreement and may be less favorable to the transferee; provided, however, that the transferee shall not be required to pay an initial franchise fee.

13.3.6 The transferee shall successfully complete, at its expense, the required initial training as described in Paragraph 6.1, including payment of the then-current training fee charged by FRANCHISOR in those circumstances where FRANCHISEE is required to pay a fee for attendees at the initial training programs.

13.3.7 Except in the case of a transfer to an entity formed for the convenience of ownership, where the ownership of such corporation is in the same proportion as the ownership of FRANCHISEE before such transfer, a transfer fee in an amount designated by FRANCHISOR, but which shall not exceed $5,000, plus FRANCHISOR's out of pocket costs associated with the transfer, including costs of attorneys' fees associated with the transfer, shall be paid by FRANCHISEE to FRANCHISOR. If FRANCHISEE desires to conduct business in a corporate capacity, FRANCHISOR will consent to the assignment of this Agreement to a corporation, provided that (i) the corporation shall be and shall remain a closely-held corporation; (ii) the stock certificates issued by the corporation shall contain a restriction on transfer referencing this Franchise Agreement, in a form prescribed by FRANCHISOR; (iii) the ownership of the assignee corporation shall be in the same proportion as the ownership of FRANCHISEE before the transfer; and (iv) none of the shares of stock in the assignee corporation shall be held by a business competitor of FRANCHISOR. FRANCHISEE shall pay an administrative fee of $500 per transfer for each transfer to a corporation, partnership or limited liability company where such transfer is for the convenience of ownership only. At the time of request for a transfer for the convenience of ownership, FRANCHISEE shall submit the following documents to FRANCHISOR and FRANCHISOR shall review and approve such documents within thirty (30) days thereafter:

a) For an assignment to a closely-held corporation, FRANCHISEE shall provide to FRANCHISOR a (i) file stamped copy of the Articles of Incorporation and By-laws of the proposed assignee corporation, (ii) a sample stock certificate, (iii) a Certificate of Good Standing in the state in which the corporation is authorized to do business and the state in which the corporation will conduct the store business pursuant to this Franchise Agreement, (iv) a list of officers and their percentage ownership of the stock of the corporation, and (v) a list of directors of the corporation.

b) For an assignment to a partnership, FRANCHISEE shall provide to FRANCHISOR a (i) file stamped copy of the Certificate of Limited Partnership (if applicable) or the Statement of Partnership, and (ii) a copy of the fully executed Partnership Agreement, containing an exhibit showing the percentage of ownership in the partnership by all partners.

c) For an assignment to a limited liability company, FRANCHISEE shall provide to FRANCHISOR a (i) Certificate of Formation of Limited Liability Company and (ii) a fully executed copy of the Operating Agreement, containing an exhibit showing the percentage of ownership of all members in the limited liability company.

13.3.8 FRANCHISEE shall remain liable for all of its obligations to FRANCHISOR and its Affiliates which arose prior to the effective date of the transfer, and shall execute any documents reasonably requested by FRANCHISOR to evidence such liability.

13.3.9 FRANCHISEE shall have paid all amounts due to FRANCHISOR.

13.3.10 The transferee, at its expense, shall refurbish the Franchised Business in the manner described in Paragraph 7.9, irrespective of the thirty (30) month time frame described in this

Agreement, to conform to FRANCHISOR's then-current standards and specifications, and complete the refurbishing and other requirements within the time specified by FRANCHISOR.

13.3.11 As part of the transfer, FRANCHISEE shall assign all of its right, title and interest in and to the Lease to the transferee, with the written consent of the Landlord and all other parties whose consent is required.

13.3.12 FRANCHISEE shall remain liable to FRANCHISOR for all obligations of FRANCHISEE which arise as a result of acts, events or omissions which occurred prior to the effective date of the transfer. FRANCHISOR's consent to any transfer shall not constitute a waiver or release of any claims FRANCHISOR may have against FRANCHISEE as of the date of the assignment.

13.4 **Granting of a Security Interest by Franchisee.** FRANCHISEE shall not grant a security interest in the Franchised Business or in any of the assets of the Franchised Business without first obtaining the prior written consent of FRANCHISOR. FRANCHISOR's consent or refusal to consent may be based upon whatever factors FRANCHISOR, in its sole discretion, deems economically and commercially reasonable in protecting FRANCHISOR's interests and security interest under this Agreement and the relationship created under this Agreement. Under any circumstances however, FRANCHISOR shall not consent to any such granting of a security interest unless all of the following conditions are met:

13.4.1 Such security is granted only for the purpose of securing a loan in favor of FRANCHISEE, which loan shall only be for the benefit of the Franchised Business.

13.4.2 In the event of any default by FRANCHISEE under any documents in any way relating to the security interest or the loan to which it relates, FRANCHISOR shall have the right at its sole option (but not the obligation) to cure any such default and/ or to be substituted as obligor to the lender whose interests are secured by such security interest.

13.4.3 In the event of any default, and if FRANCHISOR chooses to be substituted as obligor, FRANCHISOR shall be so substituted in all respects on the same terms and conditions to which FRANCHISEE was subject, except that any acceleration of the obligations secured, due to FRANCHISEE's default, shall be void upon cure by FRANCHISOR.

13.4.4 Such other conditions and terms as FRANCHISOR shall deem necessary and/or prudent to protect its interests under this Agreement.

13.5 **Right of First Refusal.** If any party holding any direct or indirect interest in this Agreement, in FRANCHISEE, or in all or substantially all of the assets of the Franchised Business desires to accept any bona fide offer from a third party to purchase such interest, FRANCHISEE shall notify FRANCHISOR of such offer at least thirty (30) days before such transfer is proposed to take place, and shall provide such information and documentation relating to the offer as FRANCHISOR may require. FRANCHISOR shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and any background materials concerning the proposed transfer that FRANCHISOR shall reasonably request, to send written notice to the seller that FRANCHISOR intends to purchase the seller's interest on the same terms and conditions offered by the third party. If FRANCHISOR elects to purchase the seller's interest, the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by FRANCHISOR. If FRANCHISOR declines to purchase the seller's interest, FRANCHISEE shall have ninety (90) days from the earlier of: (a) receipt of a notice from FRANCHISOR declining to exercise its right of first refusal, or (b) thirty (30) days after FRANCHISOR's receipt of the transferor's written notification of the proposed transfer, to dose on the transfer of such interest subject to FRANCHISOR's approval pursuant to Paragraph 13.3. Failure to effect a transfer with the third party within the ninety (90) day period, or any material change thereafter in the terms of the offer prior to closing, shall constitute a new offer subject to the same rights of first refusal by FRANCHISOR as in the case of the third party's initial offer. Failure of FRANCHISOR to exercise the option afforded by this Paragraph 13.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 13, with respect to a proposed transfer. In the event the consideration, terms, and/or conditions offered by a third party are such that FRANCHISOR may not reasonably be required to furnish the same consideration, terms, and/or conditions, then FRANCHISOR may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, an independent appraiser shall be designated by FRANCHISOR at FRANCHISOR's expense, and the appraiser's determination shall be binding.

13.6 **Transfer Upon Death or Incapacitation.** Upon the death or permanent incapacity (mental or physical) of any person with an interest in this Agreement, in FRANCHISEE, or in all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by FRANCHISOR within six (6) months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any inter vivos transfer, except that the transfer fee shall be waived. In the case of transfer by devise or inheritance, however, if the heirs or beneficiaries of any such person are unable to meet the conditions of this Section 13, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by FRANCHISOR within six (6) months, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within such period, FRANCHISOR may, at its option, terminate this Agreement, pursuant to Paragraph 14.2.5 of this Agreement.

13.7 **Non-Waiver of Claims.** FRANCHISOR's consent to a transfer shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of FRANCHISOR's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

13.8 **Transfer by Franchisee in Bankruptcy - Right of First Refusal.** If, for any reason, this Agreement is not terminated pursuant to Paragraph 14.1 and this Agreement is assumed, or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed assignment and assumption, shall be given to FRANCHISOR within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and FRANCHISOR shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to FRANCHISOR itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by FRANCHISEE out of the consideration to be paid by such assignee for the assignment of this Agreement.

13.9 **Restriction on Publicly Traded Securities.** Securities, partnership or other ownership interests in FRANCHISEE may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of FRANCHISOR, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to FRANCHISOR for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to FRANCHISOR for such review prior to their use. No such offering by FRANCHISEE shall imply that FRANCHISOR is participating in an underwriting, issuance or offering of securities of FRANCHISEE or FRANCHISOR, and FRANCHISOR's review of any offering materials shall be limited solely to the subject of the relationship between FRANCHISEE and FRANCHISOR and its Affiliates. FRANCHISOR may, at its option, require FRANCHISEE's offering materials to contain a written statement prescribed by FRANCHISOR concerning the limitations described in the preceding sentence. FRANCHISEE, its Owners and the other participants in the offering must fully defend and indemnify FRANCHISOR, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by FRANCHISOR to further evidence this indemnity. For each proposed offering, FRANCHISEE shall pay to FRANCHISOR a non-refundable fee of $5,000, which shall be in addition to any Transfer Fee under any Franchise Agreement or such greater amount as is necessary to reimburse FRANCHISOR for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. FRANCHISEE shall give FRANCHISOR written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

14. <u>**DEFAULT AND TERMINATION**</u>

14.1 <u>**Termination In the Event of Bankruptcy or Insolvency.**</u> FRANCHISEE shall be deemed to be in default under this Agreement, and all rights granted to FRANCHISEE in this Agreement shall automatically terminate without notice to FRANCHISEE, if FRANCHISEE becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by FRANCHISEE or such a petition is filed against and not opposed by FRANCHISEE; if FRANCHISEE is adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of FRANCHISEE or other custodian for FRANCHISEE's business or assets is filed and consented to by FRANCHISEE; if a receiver or other custodian (permanent or temporary) of FRANCHISEE's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against FRANCHISEE; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); if FRANCHISEE is dissolved; if execution is levied against FRANCHISEE's business or property; if suit to foreclose any lien or mortgage against the Franchised Location or assets is instituted against FRANCHISEE and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business is sold after levy thereupon by any sheriff, marshal, or constable.

14.2 <u>**Termination with Notice and Without Opportunity to Cure.**</u> FRANCHISEE shall be in default under this Agreement, and FRANCHISOR may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording FRANCHISEE any opportunity to cure the default, effective immediately upon receipt of notice by FRANCHISEE upon the occurrence of any of the following events:

14.2.1 If FRANCHISEE fails to construct and open the Franchised Business for business within twelve (12) months from the Effective Date, subject only to Force Majeure.

14.2.2 If FRANCHISEE at any time ceases to operate or otherwise abandons the Franchised Business without the consent of FRANCHISOR, or loses the right to possession of the Franchised Location, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located. If, however, through no fault of FRANCHISEE, the Franchised Location is lost, damaged, or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) thereafter, then FRANCHISEE shall have thirty (30) days after such event in which to apply for FRANCHISOR's approval to relocate and/or reconstruct the Franchised Business, which approval shall not be unreasonably withheld.

14.2.3 If FRANCHISEE (or an officer or director of or a shareholder in FRANCHISEE, if FRANCHISEE is a corporation, or a general or limited partner of FRANCHISEE, if FRANCHISEE is a partnership, or a member, if FRANCHISEE is a limited liability company) is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that FRANCHISOR believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or FRANCHISOR's interest in this Agreement.

14.2.4 If any purported assignment or transfer of any direct or indirect interest in this Agreement, in FRANCHISEE, or in all or substantially all of the assets of the Franchised Business is made to any third party without FRANCHISOR's prior written consent, contrary to the terms of <u>Section 13</u> of this Agreement.

14.2.5 If an approved transfer as required by Paragraph 13.6 of this Agreement, is not effected within the time provided following a death or permanent incapacity (mental or physical).

14.2.6 If FRANCHISEE fails to comply with the covenants in Paragraph 16.1 of this Agreement or fails to deliver to FRANCHISOR the executed covenants required under Paragraphs 9.4 or 16.5 of this Agreement.

14.2.7 If, contrary to the terms of Section 9 of this Agreement, FRANCHISEE, any principal or employee of FRANCHISEE, discloses or divulges the contents of the Manuals or other confidential information provided to FRANCHISEE by FRANCHISOR.

14.2.8 If FRANCHISEE or any principal of FRANCHISEE has made any material misrepresentations in connection with FRANCHISEE's application to FRANCHISOR for the franchise granted in this Agreement.

14.2.9 If FRANCHISEE, after curing a default pursuant to Paragraph 14.3 of this Agreement, commits the same, similar, or different default again, whether or not cured after notice.

14.2.10 If FRANCHISEE loses, through renovation, forfeiture, failure to renew, or otherwise, any license required with respect to the operation of the Franchised Business.

14.2.11 If FRANCHISEE or any employee fails to successfully complete the initial training required by Paragraph 6.1.

14.2.12 If FRANCHISEE understates any payment to FRANCHISOR by three percent (3%) or more, or understates any such payment in any amount, twice in any two (2) year period.

14.2.13 If an imminent threat or danger to public health or safety results from the operation of the Franchised Business.

14.2.14 If FRANCHISEE knowingly maintains false books or records or submits any false reports or statements to FRANCHISOR.

14.2.15 If FRANCHISEE fails to obtain or maintain required insurance coverage.

14.2.16 If, within ten (10) days after receipt of written notice from FRANCHISOR that any required payment is overdue, FRANCHISEE does not make such payment to FRANCHISOR, FRANCHISOR's Affiliates, or, to FRANCHISEE's suppliers or creditors, unless, with respect to FRANCHISEE's suppliers or creditors, FRANCHISEE notifies FRANCHISOR of the existence on a bona fide dispute and takes immediate action to resolve it.

14.2.17 If FRANCHISEE fails to make timely payments upon any obligation of FRANCHISEE upon which FRANCHISOR has advanced any funds for or on behalf of FRANCHISEE, or upon which FRANCHISOR is acting as a guarantor of FRANCHISEE, or default upon or breach of any provision of any promissory note or other evidence of indebtedness or any agreement relating to this Agreement concerning any obligation of FRANCHISEE which arises from the Franchised Business.

14.2.18 If FRANCHISEE (or any guarantor, officer or director of or a shareholder in FRANCHISEE, if FRANCHISEE is a corporation, or a general or limited partner of FRANCHISEE, if FRANCHISEE is a partnership, or a member, if FRANCHISEE is a limited liability company) or any other franchisee of FRANCHISOR which controls, is controlled by, or is under common control with FRANCHISEE (a **"Franchisee Affiliate"**), fails to comply with any or all of the terms of this Agreement or any other agreement between FRANCHISOR, or its Affiliates, and

FRANCHISEE within ten (10) days after receipt of written notice from FRANCHISOR to do so.

14.2.19 If FRANCHISEE defaults in the repayment or performance of any obligation or financing transaction with third parties under which this franchise, the Franchised Location or any asset of the Franchised Business is pledged as security for FRANCHISEE's performance.

14.2.20 If, contrary to the terms of Section 7.4 of this Agreement, FRANCHISEE purchases any products, equipment, supplies or materials to be used at the Franchised Business from any suppliers who are not expressly designated or approved by FRANCHISOR, and fails to remove the same from the Franchised Business and cease all use of the same within ten (10) days after receipt of written notice from FRANCHISOR to do so.

14.3 **Termination With Notice and Opportunity to Cure.** Except as otherwise provided in Paragraphs 14.1 and 14.2 of this Agreement, FRANCHISEE shall have thirty (30) days after its receipt from FRANCHISOR of a written Notice of Default within which to remedy any default under this Agreement or any Addendum executed along with this Agreement, and to provide evidence thereof to FRANCHISOR. If any such default is not cured within the specified time, or such longer period as applicable law may require, FRANCHISOR shall have the right to terminate this Agreement by providing written Notice of Termination to FRANCHISEE. FRANCHISEE shall be in default pursuant to this Paragraph 14.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Manuals, or failure to carry out the terms of this Agreement in good faith.

14.4 **Cross-Default.** Any default by FRANCHISEE under the terms and conditions of this Agreement, or any other agreement between FRANCHISOR, its Affiliates, and FRANCHISEE, shall be deemed to be a default of each and every other such agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between FRANCHISOR, its Affiliates, and FRANCHISEE, FRANCHISOR and its Affiliates may, at their option, terminate any or all of such other agreements.

15. OBLIGATIONS OF UPON TERMINATION.

Upon termination or expiration of this Agreement, all rights granted under this Agreement to FRANCHISEE shall forthwith terminate, and:

15.1 **Cessation of Operations.** FRANCHISEE shall immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of FRANCHISOR.

15.2 **Cessation of Use of Confidential Information and Proprietary Marks.** FRANCHISEE shall immediately and permanently cease to use, by advertising or in any other manner whatsoever, any confidential methods, procedures, and techniques associated with the System, and all Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System.

15.3 **Cancellation of Assumed Name Registration.** FRANCHISEE shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by FRANCHISEE which contains the Proprietary Marks; and FRANCHISEE shall furnish FRANCHISOR with evidence satisfactory to FRANCHISOR of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

15.4 **Assignment of Lease; Termination of Sublease.** If FRANCHISEE leases the Franchised Location under a Lease with a Landlord, FRANCHISEE shall, at FRANCHISOR's request, immediately assign to FRANCHISOR any interest which FRANCHISEE has in any Lease for the Franchised Location. If the Franchised

Location is subject to a Sublease, the Sublease shall immediately terminate, subject to the terms of the Sublease. In the event FRANCHISOR does not request assignment of the Lease, FRANCHISEE, within thirty (30) days after termination or expiration of this Agreement, shall make such modifications or alterations to the Franchised Location (including, without limitation, the changing of the color scheme and other distinctive design features, and the changing of and assigning to FRANCHISOR of, the telephone number) as may be necessary to distinguish the appearance of the Franchised Location from that of other TEA STATION Stores, and shall make such specific additional changes to this Agreement as FRANCHISOR may reasonably request for that purpose. If FRANCHISEE fails or refuses to comply with the requirements of this Paragraph 15.4 following FRANCHISOR's demand that FRANCHISEE do so, FRANCHISOR shall have the right to immediately enter into negotiations with the landlord of the Franchised Location regarding assignment and assumption of the Lease and to enter the Franchised Location and conduct business at the Franchised Business, without being guilty of trespass or any other tort. In addition, FRANCHISOR may make or cause to be made such changes to the Franchised Business as may be required to enable FRANCHISOR, or its Affiliates, or another franchisee of FRANCHISOR, to continue the operation of the Franchised Business, all at the expense of FRANCHISEE, which expense FRANCHISEE shall pay to FRANCHISOR upon demand.

15.5 **Modification of Premises to Avoid Public Confusion.** FRANCHISEE agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in FRANCHISOR's sole discretion, is likely to cause confusion, mistake, or deception, or which, in FRANCHISOR's sole discretion, is likely to dilute FRANCHISOR's rights in and to the Proprietary Marks. FRANCHISEE further agrees not to utilize any designation of origin or description or representation which, in FRANCHISOR's sole discretion, falsely suggests or represents an association or connection with FRANCHISOR constituting unfair competition.

15.6 **Franchisee Payment of Monies Due.** FRANCHISEE shall promptly pay all sums owing to FRANCHISOR and its Affiliates. In the event of termination for any default of FRANCHISEE, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by FRANCHISOR as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of FRANCHISOR against any and all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Franchised Business, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of FRANCHISEE to use the Proprietary Marks, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to FRANCHISEE under this Agreement for the use of the Proprietary Marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights. FRANCHISEE hereby appoints FRANCHISOR as its attorney in fact, with full power and authority to execute on FRANCHISEE's behalf such documents as are necessary to obtain and perfect such lien. FRANCHISOR shall have the right to set off any amounts which it deems are payable to it by FRANCHISEE. In addition to the foregoing, FRANCHISEE shall pay FRANCHISOR, within thirty (30) days following the date of termination, an amount equal to the present value (using the then-current 30 year treasury bond rate) of the royalty fees FRANCHISEE would have paid FRANCHISOR, calculated as the product of (i) the average monthly Gross Revenue of the Franchised Business during the twelve (12) months immediately preceding the effective date of termination multiplied by (ii) the number of months remaining to complete the initial term of this Agreement, had this Agreement not been terminated. In this regard, FRANCHISOR and FRANCHISEE acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages FRANCHISOR will incur upon the termination of this Agreement due to the complications inherent in determining the amount of revenue lost by FRANCHISOR because of the uncertainty regarding the number of months left to complete the initial term of this Agreement, the uncertainty regarding the Gross Revenue of the Franchised Business during the remainder of the initial term of this Agreement and the amount of royalty fees FRANCHISEE would have paid FRANCHISOR based upon such Gross Revenue and the like. FRANCHISOR and FRANCHISEE further acknowledge and agree that this calculation of FRANCHISOR's potential damages is a reasonable, good-faith estimate of such damages. If FRANCHISOR is unable to make this calculation because of FRANCHISEE's failure to report the Gross Revenue of the Franchised Business as required by Paragraph 10.5 of this Agreement, FRANCHISOR may estimate the Gross Revenue of the Franchised Business for the applicable period based upon the historical financial information available to FRANCHISOR at such time.

15.7 **Franchisee Payment of Franchisor's Cost in Securing Franchisee Compliance with Post Termination Obligations.** FRANCHISEE shall pay to FRANCHISOR all damages, costs, and expenses, including reasonable attorneys' fees, incurred by FRANCHISOR prior or subsequent to the termination or expiration of the franchise in this Agreement granted in obtaining injunctive or other relief for the enforcement of any provisions of this Section 15.

15.8 **Return of Manuals and Other Confidential Information.** FRANCHISEE shall immediately deliver to FRANCHISOR the Manuals and all other manuals, records, correspondence, files, and any instructions containing confidential information relating to the operation of the Franchised Business which are in FRANCHISEE's possession; and all copies thereof (all of which are acknowledged to be the property of FRANCHISOR).

15.9 **Franchisor's Right to Purchase, Fixtures, and Tangible Assets.** Except as otherwise provided in Paragraph 15.10, FRANCHISOR shall have the option to purchase the **"tangible assets"** (as defined in Paragraph 15.11 of this Agreement) of the Franchised Business at their then-current fair market value and in accordance with the procedures described in Paragraph 15.11. FRANCHISOR shall exercise its option by written notice to FRANCHISEE within thirty (30) days after either: (a) termination of this Agreement; or (b) the date that FRANCHISOR has notified FRANCHISEE that FRANCHISEE has not satisfied the pre-conditions to obtaining a successor term as set forth in Paragraphs 2.2.2 through 2.2.9.

15.10 **Franchisee's Right to Sell Assets Upon Expiration.** Except in circumstances where the Agreement is terminated prior to its normal expiration date, and notwithstanding FRANCHISOR's rights pursuant to Section 13 to approve any transfer, FRANCHISEE and any Franchisee Affiliate shall have the right to sell the assets that are the subject to FRANCHISOR's purchase option set forth in Paragraph 15.9 during the last six (6) months of the then expiring term, provided that the purchase agreement specifically includes a covenant approved by FRANCHISOR and which is expressly enforceable by FRANCHISOR as a third-party beneficiary, that the purchaser shall not, for a period of twelve (12) months after the expiration of this Agreement, use such premises for the operation of a business whose menu or method of operation is similar to that employed by the Franchised Business.

15.11 **Calculating the Purchase Price of Assets.** For purposes of this Paragraph 15.11 the term **"tangible assets"** shall mean only the leasehold improvements, furniture, fixtures, equipment and interior and exterior signs at the Franchised Business.

15.11.1 The purchase price for the tangible assets shall be the lesser of their net book value (using a 5-year straight line amortization period) or their then-current fair market value less the amount of all fees and obligations due to FRANCHISOR, or its Affiliates, from FRANCHISEE and less the amount of any current and long term liabilities of the Franchised Business to be assumed by FRANCHISOR as described in Paragraph 15.11.3 of this Agreement. The purchase price for the tangible assets shall not contain any amount for **"goodwill"**, "**going concern value"** or initial franchise fees, royalty fees, advertising fees or any other sums paid to FRANCHISOR by FRANCHISEE prior to the termination of this Agreement. In addition, the purchase price for the tangible assets shall not include payment for any inventory or supplies or leasehold improvements, equipment, fixtures or signs which FRANCHISOR deems obsolete or has heretofore designated as failing to meet quality standards for the System.

15.11.2 The amount of the purchase price for the tangible assets shall be included by FRANCHISOR in its notice of its exercise of the option to purchase the tangible assets. If FRANCHISEE does not accept FRANCHISOR's purchase price for the tangible assets within ten (10) days following the date of FRANCHISOR's notice under Paragraph 15.9 of this Agreement, the purchase price for the tangible assets shall be determined as follows:

a) Within ten (10) days thereafter, each party shall name an appraiser to independently ascertain the purchase price for the tangible assets in accordance with the criteria set forth in Paragraph 15.11.1 of this Agreement. If the two appraisals are in **"substantial agreement,"** the **"average"** of the two appraisals will be the purchase price. For this purpose, the term **"substantial agreement"** means a difference in the two appraisals of less than fifteen percent (15%) of the higher appraisal and the term **"average"** means fifty percent (50%) of the sum of the two appraisals.

b) If the two appraisals are not in substantial agreement, the two appraisers will jointly choose a third appraiser within ten (10) days of the date that the last appraisal is delivered to the parties who shall conduct his appraisal of the tangible assets within thirty (30) days. If a third appraiser is utilized, the purchase price will be the average of the two appraisals which are closest to each other.

c) The parties shall share equally the fees and expenses of the third appraiser, but each party shall be responsible for the fees and expenses of his or its appraiser. Each party shall bear its own expenses in presenting evidence to the appraisers.

d) In determining the purchase price for the tangible assets, the appraisers shall consider all relevant material submitted to them by the parties or otherwise obtained by them and shall set forth their determinations in writing, together with their opinions and the considerations on which the opinions are based, with a signed counterpart to be delivered to each party within thirty (30) days.

15.11.13 The purchase price for the tangible assets shall be reduced by the current and long term liabilities of the Franchised Business (except liabilities owed to FRANCHISEE or its principals) to be assumed by FRANCHISOR, up to the amount of the purchase price, subject to all defenses available to FRANCHISEE.

15.11.4 The balance of the purchase price for the tangible assets remaining after the deductions described in Paragraph 15.11.3 of this Agreement shall be payable to FRANCHISEE as follows:

a) Forty percent (40%) of the balance due will be paid in cash as a down payment on the date of the close of escrow.

b) The amount remaining due will be evidenced by a promissory note providing for payment of this sum, together with interest at a rate equal to the prime lending rate then charged by FRANCHISOR's principal bank determined as of the date of the close of escrow, in seventy-two (72) equal monthly installments of principal and interest commencing on the first day of the second calendar month following the date of the close of escrow and continuing on the same day of each consecutive month until paid in full.

15.11.5 The close of escrow shall occur within forty-five (45) days after the final determination of the purchase price for the tangible assets. Bulk transfer costs shall be paid by FRANCHISEE. Escrow costs shall be shared equally by FRANCHISOR and FRANCHISEE.

15.11.6 If FRANCHISOR does not elect to exercise its option to purchase the tangible assets, FRANCHISEE or any Franchisee Affiliate may assign any Lease for the Franchised Location or sell the real property to a third party, provided that the assignment or purchase agreement specifically include a covenant approved by FRANCHISOR and which is expressly enforceable by FRANCHISOR as a third-party beneficiary, that the purchaser shall not, for a period of twelve (12) months after the termination or expiration of this Agreement, use the Franchised Location for the operation of a store business whose menu or method of operation is similar to that employed by the Franchised Business.

15.11.7 FRANCHISOR shall have the right to assign its option to purchase the tangible assets at the Franchised Business and to obtain an assignment of any Lease to an assignee of FRANCHISOR's choice at any time prior to the close of escrow.

15.2 **Irreparable Injury to Franchisor.** FRANCHISEE agrees and acknowledges that FRANCHISEE's failure to comply with the provisions of Paragraphs 15.9 and 15.11 will result in irreparable harm to FRANCHISOR and to the Proprietary Marks, and FRANCHISEE agrees to pay all damages, expenses, court costs and reasonable attorneys' fees incurred by FRANCHISOR in obtaining specific performance of, or an injunction against violation of, and/or damages resulting from a violation of, the requirements of Paragraphs 15.9 and 15.11 of this Agreement.

15.3 **Compliance with Post Term Covenants.** All covenants, obligations, and agreements of FRANCHISEE which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of this Agreement, shall survive such termination or expiration.

16. COVENANTS

16.1 **Non-Competition During Term of Agreement.** FRANCHISEE specifically acknowledges that, pursuant to this Agreement, FRANCHISEE will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of FRANCHISOR and the System. FRANCHISEE (or, if FRANCHISEE is a corporation, limited liability company, or partnership, all principals of FRANCHISEE) covenants that during the term of this Agreement, except as otherwise approved in writing by FRANCHISOR, FRANCHISEE (or, if FRANCHISEE is a corporation, limited liability company, or partnership, all principals of FRANCHISEE) shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal entity:

16.1.1 Divert or attempt to divert any present or prospective customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

16.1.2 Employ or seek to employ any person who is or has been within the previous thirty (30) days employed by FRANCHISOR or an Affiliate of FRANCHISOR as a salaried managerial employee, or otherwise directly or indirectly induce such person to leave his or her employment.

16.1.3 Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that is the same or similar to the Franchised Business or which offers signature, premium tea products or services which are the same as or similar to the products and services being offered by the Franchised Business.

16.2 **Non-Competition After Execution or Termination of Agreement.** Commencing upon the date of: (a) a transfer permitted under Section 13 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Paragraph 16.2, and continuing for an uninterrupted period of two (2) years thereafter, FRANCHISEE shall not, without FRANCHISOR's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a business which: (a) offers premium tea drinks and other related snack and desserts as its primary menu item, and (b) is, or is intended to be, located at or within a twenty five (25) mile radius of the Franchised Location. In applying for such consent, FRANCHISEE will have the burden of establishing that any such activity by it will not involve the use of benefits provided under this Agreement or constitute unfair competition with FRANCHISOR or other franchisees or area developers of FRANCHISOR.

16.3 **Exceptions to Non-Compete Covenants.** Paragraphs 16.1 and 16.2 shall not apply to ownership by FRANCHISEE of a less than five percent (5%) beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

16.4 **Reducing Scope of Covenants.** FRANCHISEE understands and acknowledges that FRANCHISOR shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Paragraphs 16.1 and 16.2, or any portion thereof, without FRANCHISEE's consent, effective immediately upon receipt by FRANCHISEE of written notice thereof; and FRANCHISEE agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Paragraph 21.1 of this Agreement.

16.5 **Enforceability of Covenants Not Affected by Franchisee Claims.** FRANCHISEE expressly agrees that the existence of any claims it may have against FRANCHISOR, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by FRANCHISOR of the covenants in this Section 16. FRANCHISEE agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by FRANCHISOR in connection with the enforcement of this Section 16.

16.6 **Covenants from Individuals.** FRANCHISEE shall obtain and furnish to FRANCHISOR executed covenants similar in substance to those set forth in this Section 16 (including covenants applicable upon the termination of a person's relationship with FRANCHISEE) from any or all of the following persons: (a) all employees of FRANCHISEE who have attended any training program described in Paragraph 6.1 of this Agreement; (b) all officers, directors, members and holders of a beneficial interest of five percent (5%) or more of the securities of FRANCHISEE, and of any corporation directly or indirectly controlling FRANCHISEE, if FRANCHISEE is a corporation or limited liability company; and (c) the general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if FRANCHISEE is a partnership. Every covenant required by this Paragraph 16.6 shall be in a form approved by FRANCHISOR, including, without limitation, specific identification of FRANCHISOR as a third party beneficiary of such covenants with the independent right to enforce them.

16.7 **Breach of Covenants Causes Irreparable Injury.** FRANCHISEE acknowledges that FRANCHISEE's violation of any covenant of this Section 16 or any action described in Paragraphs 14.2, 14.3, or 18.3 would result in irreparable injury to FRANCHISOR for which no adequate remedy at law may be available, and FRANCHISEE consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by FRANCHISOR in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

17. ENTITY FRANCHISEE.

If FRANCHISEE is an entity, the following provisions will apply:

17.1 **Representations of Franchisee.** FRANCHISEE represents and warrants that the information set forth in **Attachment B,** which is annexed to this Agreement and by this reference made a part hereof, is accurate and complete in all material respects. FRANCHISEE shall notify FRANCHISOR in writing within ten (10) days of any change in the information set forth in **Attachment B,** and shall submit to FRANCHISOR a revised **Attachment B,** certified by FRANCHISEE as true, correct and complete and upon acceptance thereof by FRANCHISOR shall be annexed to this Agreement as **Attachment B.** FRANCHISEE promptly shall provide such additional information as FRANCHISOR may from time to time request concerning all persons who may have any direct or indirect financial interest in FRANCHISEE.

17.2 **Corporate Franchisee.** If FRANCHISEE is a corporation, it shall: (a) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Franchised Business; (b) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to FRANCHISOR, appears which references the transfer restrictions imposed by this Agreement; (c) not issue any non-voting securities convertible into voting securities; (d) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of FRANCHISEE and furnish the list to FRANCHISOR upon request. In addition, each present and future shareholder of FRANCHISEE shall jointly and severally guarantee FRANCHISEE's performance of each and every provision of this Agreement by executing a Guarantee in a form prescribed by FRANCHISOR.

17.2 **Partnership Franchisee.** If FRANCHISEE is a partnership it shall: (a) furnish FRANCHISOR with its partnership agreement as well as such other documents as FRANCHISOR may reasonably request, and any amendments to this Agreement; and (b) prepare and furnish to FRANCHISOR, upon request, a current list of all general and limited partners in FRANCHISEE. In addition, each present and future partner of FRANCHISEE shall jointly and severally guarantee FRANCHISEE's performance of each and every provision of this Agreement by executing a Guarantee in a form prescribed by FRANCHISOR.

17.3 **Limited Liability Company Franchisee**. If a FRANCHISEE is a limited liability company, FRANCHISEE shall: (a) furnish FRANCHISOR with a copy of its articles of organization and operating agreement, as well as such other documents as FRANCHISOR may reasonably request, and any amendments to this Agreement; (b) prepare and furnish to FRANCHISOR, upon request, a current list of all members and managers in FRANCHISEE; and (c) maintain stop transfer instructions on its records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to FRANCHISOR, which references the transfer restrictions imposed by this Agreement. In addition, each present and future member of FRANCHISEE shall jointly and severally guarantee FRANCHISEE's performance of each and every provision of this Agreement by executing a Guarantee in a form prescribed by FRANCHISOR.

18. TAXES

18.1 **Payment of Taxes.** FRANCHISEE shall promptly pay to FRANCHISOR an amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on royalty fees, any similar taxes or levies, imposed upon or required to be collected or paid by FRANCHISOR by reason of the furnishing of products, intangible property (including trademarks and trade names) or services by FRANCHISOR to FRANCHISEE through the sale, license, or Lease of property or property rights provided by this Agreement.

18.2 **Challenging Tax Assessment.** In the event of any bona fide dispute as to FRANCHISEE's liability for taxes assessed or other indebtedness, FRANCHISEE may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law.

18.3 **Notification of Investigation or Violation.** FRANCHISEE shall notify FRANCHISOR by telephone within twenty-four hours, and confirm in writing within two (2) days thereafter, of any investigation or violation, actual or alleged, concerning any health, liquor or narcotics laws or regulations, and notify in writing within five (5) days of the commencement of any investigation, action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

19. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

19.1 **No Fiduciary Relationship.** This Agreement does not create a fiduciary relationship between the parties to this Agreement. FRANCHISEE shall be an independent contractor; and nothing in this Agreement is intended to constitute or appoint either party an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever.

19.2 **Public Notice of Independent Status.** FRANCHISEE shall conspicuously identify itself and the Franchised Business in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent franchisee of FRANCHISOR, and shall place such notice of independent ownership in its Franchised Business and on all forms. FRANCHISOR shall have the right to specify the language of any such notice.

19.3 **Independent Contractor.** FRANCHISEE acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on FRANCHISOR's behalf, or to incur any debt or other obligations in FRANCHISOR's name; and that FRANCHISOR shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor shall FRANCHISOR be liable by reason of any act or omission of FRANCHISEE in its conduct of the Franchised Business or for any claim or judgment arising there from against FRANCHISEE or FRANCHISOR.

19.4 **Indemnification.** FRANCHISEE shall indemnify and hold harmless to the fullest extent by law, FRANCHISOR, its Affiliates and their respective directors, officers, employees, shareholders, and agents, (collectively the **"Indemnitees"**) from any and all **"losses and expenses"** (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with FRANCHISEE's operation of the Franchised Business including, but not limited to, claims arising as a result of the maintenance and operation of vehicles or the Franchised Location (collectively an **"event"**), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of indemnities (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement shall extend to any finding of comparative negligence or contributory negligence attributable to FRANCHISEE). For the purpose of this Paragraph 19.4, the term **"losses and expenses"** shall be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to FRANCHISOR's reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. FRANCHISEE shall give FRANCHISOR prompt notice of any event of which it is aware, for which indemnification is required, and, at the expense and risk of FRANCHISEE, FRANCHISOR may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that FRANCHISOR will seek the advice and counsel of FRANCHISEE. Any assumption of FRANCHISOR shall not modify FRANCHISEE's indemnification obligation. FRANCHISOR may, in its sole and absolute discretion, take such actions as it seems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in FRANCHISOR's sole and absolute discretion, necessary for the protection of the indemnities or the System.

20. **WEB SITES.**

20.1 **Definitions.** For the purposes of this Agreement, the following words and phrases shall have the meanings set forth in this Paragraph 20.1:

20.1.1 **"Content"** means all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through Franchisor's Web site.

20.1.2 **"Deep Link"** means a Link to the content of a Web site. Typically, a deep link is to an interior page of a Web site *(i.e.,* bypassing the front page of the Web site).

20.1.3 **"Electronic Commerce"** means offering and selling merchandise and services associated with the Proprietary Marks, and receiving and accepting orders and payment for that merchandise and services, directly or indirectly, through any means of electronic communication, including receiving and accepting orders over the Internet.

20.1.4 **"Franchisee's Web Page"** means one or more interior pages of Franchisor's Web site dedicated in whole or in part to the Franchised Business.

20.1.5 **"Franchisor's Web site"** means one or more Internet Web sites that may, among other things, facilitate orders, provide information about the System and the products and services that are offered on the Web site and at TEA STATION Stores operated under the Proprietary Marks; Franchisee's Web Page may be part of the Franchisor Web site.

20.1.6 **"Internet"** means any means of electronic communication that employs inter-connected computer networks to communicate information (of any kind) by fiber optics, wire, radio or other methods of transmission, including the myriad of computers, telecommunications facilities and similar means (both equipment and software) that comprise the interconnected worldwide network of networks that employ the TCP/IP (Transmission Control Protocol/Internet Protocol) or any predecessor or successor protocols to that protocol.

20.1.7 **"URL"** means uniform resource locator, the unique address assigned to each page of a web site.

20.1.8 **"Web site"** means a series of inter-connected **"pages"** on the World Wide Web section of the Internet (the "World Wide Web" is the portion of the Internet that features graphics-rich pages using the HTIP and H1ML protocols).

20.2 **<u>Use of Proprietary Marks on Internet.</u>** FRANCHISEE shall not develop, create, generate, own, license, Lease or use in any manner any computer medium or electronic medium (including, any Internet home page, e-mail address, Web site, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or part, the Proprietary Marks, or any of them, or any words, symbols or terms confusingly similar to this Agreement without FRANCHISOR's express prior written consent, and then only in such manner and in accordance with this Agreement, such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time and only so long as FRANCHISEE is not in default of this Agreement or any other Agreement between FRANCHISOR, its Affiliates and FRANCHISEE. Without limiting the generality of the foregoing, FRANCHISEE shall not cause, permit or allow the Proprietary Marks, or any of them, or any words, symbols or terms confusingly similar to this Agreement, be used or displayed in whole or part: (a) as, or as a part of, an Internet domain name; (b) as, or as a part of, a URL (at any level or address); or (c) on or in connection with any Internet home page, Web site, bulletin board, newsgroup, chat-group, buddy list, instant messenger, meta-tag or the comparable identifier in any future technology) or other internet-related activity, without FRANCHISOR's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time. FRANCHISEE shall not Link to or frame Franchisor's Web site (including Franchisee's Web Page, if any) to any other Web site or authorize any third party to Link to or frame the Web site (including Franchisee's Web Page, if any) without FRANCHISOR's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time.

20.2.1 Except as provided in <u>Paragraph 20.4</u> of this Agreement, FRANCHISEE shall not use, nor authorize any third party to use, the Proprietary Marks to advertise, promote, offer or sell any goods or services through the Internet, if those goods or services are the same as or similar to those (a) which are offered at or from the Franchised Business, (b) which bear any of the Proprietary Marks, or (c) which are otherwise offered or sold under the Proprietary Marks. FRANCHISEE may, however, use the Proprietary Marks to sell such goods or services through the Internet in compliance with <u>Paragraph 20.4</u> of this Agreement or with FRANCHISOR's prior written consent, but then only in such manner and in accordance with such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time.

20.2.2 FRANCHISOR will own and will retain all right, title and interest in and to the Proprietary Marks and the use thereof in any and all manners and to all existing and future domain names, URLs, future addresses and sub addresses established by FRANCHISOR (including Franchisee's Web Page sub addresses) which may or may not include the Proprietary Marks; all Software; all Content prepared for, or used on, Franchisor's Web site, and all intellectual property rights in or to any of them.

20.3 **Franchisor's Web Site.** FRANCHISOR may, but shall not be obligated to, establish and maintain from time to time Franchisor's Web site to provide information about the System and the goods and services that TEA STATION Stores provide, even though Franchisor's Web site is accessible by persons in FRANCHISEE's trade area. FRANCHISOR has sole discretion and control over the design and content of Franchisor's Web site, except that FRANCHISOR may configure the site to accommodate Franchisee's Web Page as described in Paragraph 20.3.2 of this Agreement. FRANCHISOR may, at its sole option, from time to time, without prior notice to FRANCHISEE: (a) change, revise, or eliminate the design, content and functionality of Franchisor' s Web site; (b) make operational changes to Franchisor's Web site; (c) change or modify the URL and/or domain name of Franchisor's Web site; (d) substitute, modify, or rearrange Franchisor' s Web site, at FRANCHISOR's sole option, including in any manner that FRANCHISOR considers necessary or desirable to, among other things, (1) comply with applicable laws, (2) respond to changes in market conditions or technology, and (c) respond to any other circumstances; (3) limit or restrict end-user access (in whole or in part) to Franchisor's Web site; and (e) disable or terminate Franchisor' s Web site without any liability to FRANCHISEE.

20.3.1 Franchisor's Web site may include a series of interior pages that may identify participating TEA STATION Stores by, among other things, name, geographic region, address, telephone number and/or e-mail address. FRANCHISOR may permit FRANCHISEE to customize or post certain information to Franchisee's Web Page, subject to FRANCHISEE's compliance with the procedures, policies, standards and specifications that FRANCHISOR may establish in the Manuals from time to time which may require FRANCHISEE to pay a reasonable fee for the privilege of having Franchisee's Web Page, and may include, without limitation, specifications and limitations for the data or information to be posted to Franchisee's Web Page, customization specifications, the basic template for design of Franchisee's Web Page, parameters and deadlines specified by FRANCHISOR, disclaimers, and such other standards and specifications and rights and obligations of the parties as FRANCHISOR may establish from time to time. Any modifications (including customizations, alterations, submissions or updates) to the Content made by FRANCHISEE for any purpose will be deemed to be a **"work made for hire"** under the copyright laws, and therefore, FRANCHISOR shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, FRANCHISEE hereby assigns those modifications to FRANCHISOR for no additional consideration and with no further action required and shall execute such further assignments(s) as FRANCHISOR may request. FRANCHISEE may not modify Franchisee's Web Page except in coordination with FRANCHISOR's webmaster and in compliance with FRANCHISOR's policies and procedures. At FRANCHISOR's request, FRANCHISEE shall contribute a reasonable amount, not to exceed $1,000 per year, toward the cost of the Web site's maintenance, which may vary from year to year during the term of this Agreement and shall pay the same to FRANCHISOR in the manner and at the times that FRANCHISOR may establish in the Manuals or otherwise from time to time. If FRANCHISEE fails to pay when due any fees or other amounts payable to FRANCHISOR under this Agreement, or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates, or otherwise breaches this Agreement or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates, FRANCHISOR may disable Franchisee's Web Page until such time as FRANCHISEE pays its outstanding obligations in full. FRANCHISEE hereby appoints FRANCHISOR as FRANCHISEE's attorney-in-fact with full power and authority for the sole purpose of disabling Franchisee's Web Page. This appointment shall be deemed to be coupled with an interest and shall continue in full force and effect until the termination or expiration of this Agreement.

20.3.2 FRANCHISOR may Link Franchisor's Web site to the Web sites of third parties, including, electronic service providers, Franchisor's Affiliates and other providers of goods and services.

FRANCHISOR may also permit third parties to Link (including Deep Links to any interior page of Franchisor' s Web site, including Franchisee's Web Page) and frame Franchisor's Web site (including Franchisee's Web Page). FRANCHISOR may place legal notices, disclaimers, FRANCHISOR's corporate logos and slogans, advertisements, endorsements, trademarks, and other identifying information on Franchisor's Web site, all of which may be modified, expanded, or eliminated at FRANCHISOR's option. Further, FRANCHISOR may establish or participate in programs whereby FRANCHISOR refers end-users to other Web sites, or FRANCHISOR receives referrals from other Web sites. All consideration (monetary and non-monetary) received by FRANCHISOR on account of the placement or sale of advertisements, endorsements, and sponsorships on Franchisor's Web site (including any Franchisee Page), and all consideration (monetary and non-monetary) received by FRANCHISOR on account of Affiliate programs, will belong only to FRANCHISOR. FRANCHISOR may also establish programs which encourage repeat and business by end-users.

20.3.3 Without limiting FRANCHISOR's general unrestricted right to permit, deny and regulate FRANCHISEE's participation on Franchisor' s Web site in FRANCHISOR's sole discretion, if FRANCHISEE fails to pay when due any fees or other amounts payable to FRANCHISOR under this Agreement, or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates or otherwise breaches this Agreement or any other agreement with FRANCHISOR or FRANCHISOR' s Affiliates, FRANCHISOR may disable or terminate Franchisee's Web Page and remove all references to the Franchised Business on Franchisor's Web site until the breach is cured.

20.3.4 FRANCHISOR has no control over the stability or maintenance of the Internet generally; as a result, FRANCHISOR is not responsible for damage or loss caused by errors of the Internet. Furthermore, FRANCHISOR is not liable for any direct, indirect, special, incidental, exemplary or consequential damages arising out of the use of, or the inability to use, Franchisor's Web site or the Internet, including loss of profits, goodwill, or savings; downtime; or damage to or replacement of programs and data, whether based in contract, tort, product liability, or otherwise.

20.4 **Electronic Commerce.** FRANCHISEE will not use the Proprietary Marks to advertise, promote or sell any services or merchandise through the Internet, nor will FRANCHISEE offer or sell any service that is identified with the Proprietary Marks or any memorabilia or other merchandise that bears the Proprietary Marks through the Internet, except in compliance with Paragraph 20.2 of this Agreement and this Paragraph 20.4. FRANCHISEE's breach of this restriction will constitute willful trademark infringement and a material breach of this Agreement.

20.4.1 FRANCHISOR may, at its discretion, use the Web site described in Paragraph 20.3 of this Agreement or may establish another facility on the Internet for the purpose of engaging in Electronic Commerce with respect to products and services that are identified with the Proprietary Marks.

20.4.2 If FRANCHISOR decides to engage in Electronic Commerce, it will (a) establish uniform procedures, policies and protocols to govern electronic communications between FRANCHISOR and its customers and the use and dissemination of information that FRANCHISOR obtains with respect to customers' identities, purchasing habits and other commercially relevant matters; (b) develop a secure site on the facility through which FRANCHISOR can accept credit card and other confidential information from its customers; (c) establish a central administration center through which customer orders are processed, customer complaints are handled, sales taxes (if any) are remitted, and records of sales transactions are created and maintained; (d) establish a central fulfillment center through which all customer orders are filled; and (e) establish the terms and conditions under which members of the System may participate in FRANCHISOR's Electronic Commerce program.

20.4.3 In the event that FRANCHISOR initiates FRANCHISOR's Electronic Commerce program, FRANCHISEE will have the opportunity to participate in the program provided that FRANCHISEE is in good standing under this Agreement and any other agreement with FRANCHISOR or FRANCHISOR's Affiliates. The Electronic Commerce program set forth in the Manuals may (a) state the terms on which FRANCHISOR and participating franchisees of FRANCHISOR may share program revenues and expenses, (b) obligate FRANCHISEE to adhere to FRANCHISOR's procedures, policies and protocols that govern electronic communications and the use and dissemination of customer information, (c) authorize FRANCHISOR from time to time to modify the procedures, policies and protocols that govern the Electronic Commerce program; and (d) release FRANCHISOR from liability to FRANCHISEE and its customers for theft or disclosure of confidential customer information or breach of FRANCHISOR' s privacy standards unless the proximate cause of such theft, disclosure or breach is FRANCHISOR's gross negligence or willful misconduct.

20.4.4 If FRANCHISEE declines to participate in the Electronic Commerce program on the terms stated in the Manuals, FRANCHISEE will have no right to share in program revenues, nor will FRANCHISEE have any responsibility to bear or pay any program expenses.

20.4.5 If FRANCHISEE fails to pay when due any fees or other amounts payable to FRANCHISOR under this Agreement, or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates or otherwise breaches this Agreement or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates, FRANCHISEE hereby authorizes FRANCHISOR to disable or terminate the end-user's ability to place pick-up and delivery orders with FRANCHISEE until the breach is cured.

20.5 **Assignment Upon Termination or Expiration.** FRANCHISEE shall, at the option and request of FRANCHISOR, assign to FRANCHISOR all rights to all e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the Franchised Business following demand by FRANCHISOR upon FRANCHISEE's misuse of the same and/or the termination or expiration of this Agreement. Furthermore, FRANCHISEE hereby appoints FRANCHISOR as FRANCHISEE's attorney-in-fact with full power and authority for the sole purpose of assigning these rights to FRANCHISOR. This appointment shall be deemed to be coupled with an interest and shall continue in full force and effect until the termination or expiration of this Agreement.

21. APPROVALS, WAIVERS, AND NOTICES

21.1 **Obtaining Approvals.** Whenever this Agreement requires the prior approval or consent of FRANCHISOR, FRANCHISEE shall make a timely written request to FRANCHISOR therefore, and such approval or consent must be obtained in writing. FRANCHISOR makes no warranties or guarantees upon which FRANCHISEE may rely, and assumes no liability or obligation to FRANCHISEE, by providing any waiver, approval, consent, or suggestion to FRANCHISEE in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefore.

21.2 **No Waiver.** No delay, waiver, omission, or forbearance on the part of FRANCHISOR to exercise any right, option, duty, or power arising out of any breach or default by FRANCHISEE, or by any other franchisee, of any of the terms, provisions, or covenants thereof, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by FRANCHISOR to enforce any such right, option, or power as against FRANCHISEE, or as to a subsequent breach or default by FRANCHISEE. Subsequent acceptance by FRANCHISOR of any payments due to it under this Agreement shall not be deemed to be a waiver by FRANCHISOR of any preceding or succeeding breach by FRANCHISEE of any terms, covenants, or conditions of this Agreement.

21.3 **Notices.** All notices or demands shall be in writing and shall be served in person, by Express Mail, by certified mail; by private overnight delivery; or by telecopier (fax). Service shall be deemed conclusively made (a) at the time of service, if personally served; (b) twenty-four (24) hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if served by Express Mail; (c) upon the earlier of actual receipt or three (3) calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; (d) twenty-four (24) hours after delivery by the party giving the notice, statement or demand if by private overnight delivery; and (e) at the time of transmission by telecopier, if such transmission occurs prior to 5:00 p.m. on a business day and a copy of such notice is mailed within twenty-four (24) hours after the transmission. Notices and demands shall be given to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to FRANCHISOR: TEA O'LA, INC.
154 W. Valley Blvd.
San Gabriel, CA 91776
Fax:
Attention: President

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

Min K. Chai
MKC Law Group
300 Spectrum Center Dr., Ste. 1090
Irvine, CA 92618
Fax: 949-417-0217

Notices to FRANCHISEE: [ ]
[Insert address]
Attention: [ ]

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

22. **ENTIRE AGREEMENT, SEVERABILITY, AND CONSTRUCTION**

22.1 **Entire Agreement.** This Agreement, any attachments to this Agreement, and any ancillary agreements between FRANCHISEE and FRANCHISOR or any Affiliate which are executed contemporaneously with this Agreement, constitute the entire and complete Agreement between FRANCHISOR (and, if applicable, any Affiliate) and FRANCHISEE concerning the subject matter thereof, and supersede all prior agreements. FRANCHISEE acknowledges that it is entering into this Agreement, and any ancillary agreements executed contemporaneously herewith, as a result of its own independent investigation of the business franchised hereby and not as a result of any representation made by FRANCHISOR or persons associated with FRANCHISOR, or other franchisees, which are contrary to the terms in this Agreement set forth or which are contrary to the terms of any Franchise Offering Circular, or other similar document required or permitted to be given to FRANCHISEE pursuant to applicable law. Except for those permitted under this Agreement to be made unilaterally by FRANCHISOR, no amendment, change, or variation from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

22.2 **Severability and Construction.** Except as expressly provided to the contrary in this Agreement, each section, paragraph, part, term, and provision of this Agreement shall be considered severable; and if, for any reason, any section, paragraph, part, term, provision, and/or covenant in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, paragraphs, parts, terms, provisions, and/ or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties to this Agreement; and the invalid portions, sections, paragraphs, parts, terms, provisions, and/or covenants shall be deemed not to be a part of this Agreement. Neither this Agreement or any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been review by all parties and shall be construed and interpreted according to the ordinary meaning of the words used to fairly accomplish the purposes and intentions of all parties to this Agreement. FRANCHISOR and FRANCHISEE intend that if any provision of this

Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

22.3 **Survival of Obligations After Expiration or Termination of Agreement.** Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

22.4 **Survival of Modified Provisions.** FRANCHISEE expressly agrees 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 agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which FRANCHISOR is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

22.5 **Captions.** All captions in this Agreement are intended for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

22.6 **Responsibility.** The term **"FRANCHISEE"** as used in this Agreement shall refer to each person executing this Agreement as FRANCHISEE, whether such person is one of the spouses, partners, shareholders, members, trustees, trustors or beneficiaries or persons named as included in FRANCHISEE, and shall apply to each such person as if he were the only named FRANCHISEE in this Agreement.

22.6.1 If FRANCHISEE is a married couple, both husband and wife executing this Agreement shall be liable for all obligations and duties of FRANCHISEE under this Agreement as if such spouse were the sole FRANCHISEE under this Agreement.

22.6.2 If FRANCHISEE is a partnership or if more than one person executes this Agreement as FRANCHISEE, each partner or person executing this Agreement shall be liable for all the obligations and duties of FRANCHISEE under this Agreement.

22.6.3 If FRANCHISEE is a trust, each trustee, trustor and beneficiary signing this Agreement shall be liable for all of the obligations and duties of FRANCHISEE under this Agreement.

22.6.4 If FRANCHISEE is a corporation or limited liability company, all shareholders or members executing this Agreement shall be liable for all obligations and duties of FRANCHISEE under this Agreement as if each such shareholder or member were the sole FRANCHISEE under this Agreement

22.6.5 If FRANCHISEE is in breach or default under this Agreement, FRANCHISOR may proceed directly against each such spouse, partner, signatory to this Agreement, shareholder, member, trustee, trustor or beneficiary without first proceeding against FRANCHISEE and without proceeding against or naming in such suit any other FRANCHISEE, partner, signatory to this Agreement, shareholder, member, trustee, trustor or beneficiary. The obligations of FRANCHISEE and each such spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor and beneficiary shall be joint and several.

22.6.6 Notice to or demand upon one spouse, partner, person signing this Agreement, shareholder, member, trustee, trustor or beneficiary shall be deemed notice to or demand upon FRANCHISEE and all such spouses, partners, persons signing this Agreement, shareholders, members, trustees, trustors and beneficiaries, and no notice or demand need be made to or upon all such FRANCHISEE's, spouses, partners, persons executing this Agreement, shareholders, members, trustees, trustors or beneficiaries.

22.6.7 The cessation of or release from liability of FRANCHISEE, or any such spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor or beneficiary shall not relieve any other FRANCHISEE, spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor or beneficiary from liability under this Agreement, except to the extent that the breach or default has been remedied or monies owed have been paid.

23. **APPLICABLE LAW**

23.1 **Choice of Law.** This Agreement takes effect upon its acceptance and execution by FRANCHISOR in California, and shall be interpreted and construed under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Franchised Business is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Business is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Paragraph 23.1 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the State of California to which it would not otherwise be subject.

23.2 **Mediation; Venue.** The parties agree that any and all disputes that may arise out of this Agreement which they are unable to resolve shall be submitted to mediation. The mediation shall be conducted by a mediator agreed upon by the parties associated with the American Arbitration Association or any successor organization ("AAA") in accordance with its rules governing mediation. Mediation shall be held at the offices of the AAA in the city in which Franchisor maintains its principal business at the time of mediation. The costs and expenses of mediation, excluding attorneys' fees incurred by either party, shall be borne by the parties equally. If the parties are unable to resolve the dispute within 90 days after the mediator has been selected, then either party may bring a legal proceeding pursuant to this Section; it being agreed that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding and that the parties' agreement to mediate shall not apply to disputes related or based on amounts owed to Franchisor pursuant to this Agreement. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the State of California in the county in which FRANCHISOR has its principal place of business at the time the action is initiated without regard to its conflict of law rules.

23.3 **Nonexclusivity of Remedy.** No right or remedy conferred upon or reserved to FRANCHISOR or FRANCHISEE by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted.

23.4 **Limitation of Adjudicative Proceedings.** Any and all claims and actions arising out of or relating to this Agreement, the relationship of FRANCHISEE and FRANCHISOR, or FRANCHISEE's operation of the Franchised Business, brought by any party to this Agreement against the other, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred. FRANCHISOR and FRANCHISEE hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.

23.5 **Right to Injunctive Relief.** Nothing in this Agreement contained shall bar FRANCHISOR's right to seek injunctive relief without the posting of any bond or security to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to FRANCHISEE's: (a) use of the Proprietary Marks, (b) obligations upon termination or expiration of the Agreement, (c) assignment or proposed assignment of the Franchised Business, this Agreement, or any ownership interest in FRANCHISEE, or (d) actions covered by the provisions of Section 15. FRANCHISOR also shall be able to seek injunctive relief to prohibit any act or omission by FRANCHISEE or its employees that constitutes a violation of any applicable law, is dishonest or misleading to FRANCHISEE's customers or to the public, or which may impair the goodwill associated with the Proprietary Marks; and FRANCHISEE agrees to pay all costs and reasonable attorneys' fees incurred by FRANCHISOR in obtaining such relief.

24. **ACKNOWLEDGMENTS**

Recognition of Business Risks. FRANCHISEE acknowledges that it has conducted an independent investigation of the proposed franchise, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of FRANCHISEE as an independent business person. FRANCHISOR expressly disclaims the making of, and

FRANCHISEE acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential sales, income, profits, or success of the business venture contemplated by this Agreement, or of other TEA STATION Stores.

Receipt of Franchise Offering Material. FRANCHISEE acknowledges that it has received a copy of the complete TEA STATION Franchise Disclosure Document for TEA STATION Stores, which contains a copy of this Franchise Agreement, at least fourteen (14) business days prior to the date on which this Agreement was executed. FRANCHISEE further acknowledges that FRANCHISEE has received a copy of the complete TEA STATION Franchise Agreement for TEA STATION Stores, the attachments to this Agreement, and agreements relating to this Agreement, if any, at least fourteen (14) business days prior to the date on which this Agreement was executed. FRANCHISEE acknowledges and agrees that FRANCHISOR has made no promises, representations, warranties or assurances to FRANCHISEE which are inconsistent with the terms of this Agreement or FRANCHISOR' s Uniform Franchise Offering Circular, concerning the profitability or likelihood of success of the Franchised Business, that he has been informed by FRANCHISOR that there can be no guaranty of success in the franchised business and that FRANCHISEE's business ability and aptitude is primary in determining his success.

Review of Franchise Offering Material. FRANCHISEE acknowledges that it has read and understood this Agreement, the attachments to this Agreement, and agreements relating to this Agreement, if any, and that FRANCHISOR has accorded FRANCHISEE ample time and opportunity to consult with advisors and counsel of FRANCHISEE's own choosing about the potential benefits and risks of entering into this Agreement.

Representations by Franchisee. FRANCHISEE acknowledges and agrees that prior to the Effective Date, no employee, agent or other person speaking on FRANCHISOR' s behalf made (i) any statement or promise to FRANCHISEE concerning projected revenues, profits or operating costs of a TEA STATION franchised business, (ii) any statement or promise to FRANCHISEE regarding the amount of money FRANCHISEE may earn in operating a TEA STATION franchised business, (iii) any statement or promise to FRANCHISEE concerning the total amount of revenue a TEA STATION franchised business will or may generate, or (iv) any statement or promise to FRANCHISEE regarding the costs FRANCHISEE will or may incur in operating a TEA STATION franchised business.

Anti-Terrorism Laws: FRANCHISEE and its officers, directors, members and shareholders shall comply with and/or assist FRANCHISOR to the fullest extent possible in FRANCHISOR's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, FRANCHISEE and its officers, directors, members and shareholders certify, represent, and warrant that none of the property or interests of FRANCHISEE or its officers, directors, members and shareholders is subject to being **"blocked"** under any of the Anti-Terrorism Laws and that FRANCHISEE and its officers, directors, members and shareholders are not otherwise in violation of any of the Anti-Terrorism Laws.

For the purposes of this Section 24.5, **"Anti-Terrorism Laws"** means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

FRANCHISEE and its officers, directors, members and shareholders certify that none of its employees, or anyone associated with FRANCHISEE or its officers, directors, members and shareholders are listed in the Annex to Executive Order 13224. FRANCHISEE agrees not to hire any individual listed in the Annex. The Annex is available at:

http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html

24.5.3 FRANCHISEE certifies that FRANCHISEE has no knowledge or information that, if generally known, would result in FRANCHISEE, its officers, directors, members and shareholders, its employees, or anyone associated with FRANCHISEE to be listed in the Annex to Executive Order 13224.

24.5.4 FRANCHISEE shall be solely responsible for ascertaining what actions must be taken by FRANCHISEE to comply with the Anti-Terrorism Laws, and FRANCHISEE specifically acknowledges and agrees that FRANCHISEE's indemnification responsibilities set forth in this Agreement pertain to FRANCHISEE's obligations under this Section 24.5.

24.5.5 Any misrepresentation by FRANCHISEE under this Section 24 or any violation of the Anti-Terrorism Laws by FRANCHISEE, its officers, directors, members and shareholders, or FRANCHISEE's employees shall constitute grounds for immediate termination of this Agreement and any other Agreement FRANCHISEE has entered with FRANCHISOR or an Affiliate of FRANCHISOR, in accordance with the terms of this Agreement.

24.6 **Attorneys' Fees.** If FRANCHISOR becomes a party to any legal proceedings concerning this Agreement, the Franchised Business or the Franchised Location by reason of any act or omission of FRANCHISEE or its authorized representatives, FRANCHISEE shall be liable to FRANCHISOR for the reasonable attorneys' fees and court costs incurred by FRANCHISOR in the legal proceedings. If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

24.7 **Atypical Arrangements.** FRANCHISEE acknowledges and agrees that FRANCHISOR may modify the offer of its franchises to other franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations which may differ from the terms, conditions, and obligations in this Agreement. FRANCHISEE further acknowledges and agrees that FRANCHISOR has made no warranty or representation that all Franchise Agreements previously issued or issued after this Franchise Agreement by FRANCHISOR do or will contain terms substantially similar to those contained in this Franchise Agreement. FRANCHISOR may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the date of this Franchise Agreement with other TEA STATION Store franchisees in a non-uniform manner.

24.8 **Additional Documents.** Each of the parties agrees to execute, acknowledge and deliver to the other party and to procure the execution, acknowledgment and delivery to the other party of any additional documents or instruments which either party may reasonably require to fully effectuate and carry out the provisions of this Agreement.

24.7. **Counterparts.** This Agreement may be executed by the parties simultaneously in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures; provided that the party delivering such electronic or facsimile signature shall deliver to the other an original signature page within twenty-four (24) hours after transmission.

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

TEA O'LA, INC.	**FRANCHISEE**
By:______________________	BY:______________________
Name: Li-Yuang Huang	Name:
Title: President & CEO	Title: Owner

TEA STATION

FRANCHISE AGREEMENT

ATTACHMENT A
THE FRANCHISED
LOCATION AND
PROTECTED AREA

TEA STATION

FRANCHISE AGREEMENT

ATTACHMENT A
THE FRANCHISED LOCATION AND
PROTECTED AREA

The following site has been selected by FRANCHISEE and approved by FRANCHISOR as the **"Franchised Location"** for the **"Franchised Business"** in accordance with Paragraph 1.2 of the Franchise Agreement entered into between FRANCHISOR and FRANCHISEE dated [_____]:

[ ]

The following area has been designated by FRANCHISOR and accepted by FRANCHISEE as the **"Protected Area"** of the Franchised Business in accordance with Paragraph 1.3 of the Franchise Agreement:

[ ] A radius of zero (0) miles surrounding the Franchised Location.

[ ] The area outlined on the attached map and described as follows:

____
____
____

If the Territory is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Territory shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

IN WITNESS WHEREOF, the parties have executed this Agreement on [_____].

TEA O'LA, INC.	**FRANCHISEE**
BY: ________________________	BY: ______________________
Name: Li-Yuang Huang	Name:
Title: President & CEO	Title: Owner

TEA STATION

FRANCHISE AGREEMENT

ATTACHMENT B
ENTITY INFORMATION

If FRANCHISEE is an entity, FRANCHISEE represents and warrants that the following information is accurate and complete in all material respects as of [ ]:

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

(2) FRANCHISEE shall provide to FRANCHISOR concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing.

(3) FRANCHISEE promptly shall provide such additional information as FRANCHISOR may from time to time request concerning all persons who may have any direct or indirect financial interest in FRANCHISEE.

(4) The name and address of each of FRANCHISEE's Owners, members, or general and limited partner:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST (if applicable)

(5) There is set forth below the names, and addresses and titles of FRANCHISEE' s principal officers or partners who will be devoting their full time to the operation and management of the Franchised Business:

NAME	ADDRESS

(6) The address where FRANCHISEE' s Financial Records, and entity records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

[ ]

FRANCHISOR: TEA O'LA, INC.	FRANCHISEE:
By:________________ Name: Li-Yuang Huang Title: President & CEO	By: ___________________ Name: Title:

EXHIBIT C
FINANCIAL STATEMENTS

TEA O-LA, INC.

AUDIT FINANCIAL STATEMENTS

DECEMBER 31, 2021

SY, LEE & CHEN, LLP
CERTIFIED PUBLIC ACCOUNTANTS
362 W. GARVEY AVENUE
MONTEREY PARK, CALIFORNIA 91754

JOHN J. SY, C.P.A.
CHEN C. LEE, C.P.A.
TIMOTHY CHEN, C.P.A.

TELEPHONE
(626) 288-7202
FAX: (626) 573-8506

Independent Auditor's Report

Board of Directors
Tea O-La, Inc.
San Gabriel, California

We have audited the accompanying financial statements of Tea O-LA, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2021, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tea O-LA, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

SY, LEE & CHEN, LLP
CERTIFIED PUBLIC ACCOUNTANTS
362 W. GARVEY AVENUE
MONTEREY PARK, CALIFORNIA 91754

JOHN J. SY, C.P.A.
CHEN C. LEE, C.P.A.
TIMOTHY CHEN, C.P.A.

TELEPHONE
(626) 288-7202
FAX: (626) 573-8506

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tea O-LA, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tea O-LA, Inc's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule A and Schedule B are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sy, Lee & Chen, LLP

Sy, Lee & Chen, LLP
Monterey Park, California
March 30, 2022

TEA O-LA, INC.
BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2021

ASSETS

Current Assets				
Cash (Note 3)	$	94,756		
Accounts Receivable (Note 4)		34,259		
Due to Shareholder		26,770		
Total Current Assets			$	155,785
Intangible Assets (Note 2)				
Franchise Offering Costs		11,107		
Organizational Cost		925		
Trademark		39,509		
		51,541		
Less: Accumulated Amortization		40,121		
Total Intangible Assets				11,420
Other Assets				
Trademark In Process (Note 2)				1,795
Total Assets			$	169,000

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities				
Refundable Deposit	$	20,000		
Federal Income Tax Payable		4,502		
State Income Tax Payable		1,364		
Total Liabilities			$	25,866
Stockholder's Equity				
Common stock - $1 Par Value, 1,000,000 Shares Authorized, 50,000 Shares Issued and Outstanding		50,000		
Retained Earnings		93,134		
Total Stockholder's Equity				143,134
Total Liabilities and Stockholder's Equity			$	169,000

See Accountants' Audit Report and Notes to Financial Statements

TEA O-LA, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

Revenue		
Sales - Net		$ 92,106
License Income - Franchise		49,000
Net Revenue		141,106
Cost of Sales (Schedule A)		75,699
Gross Profit		65,407
Operating Expenses (Schedule B)		19,282
Net Income from Operations		46,125
Other Income		
Other Income	$ 800	
Total Other Income/(Expenses)		800
Net Income Before Income Tax Provision		46,925
Income Tax Provision (Note 2 and 5)		
Federal Income Tax	(9,294)	
State Income Tax	(4,034)	
Total Income Tax Provision		(13,328)
Net Income		$ 33,597
Retained Earnings		
Balance at 1/1/2021		$ 59,537
Net Income - Current		33,597
Balance at 12/31/21		$ 93,134

See Accountants' Audit Report and Notes to Financial Statements

TEA O-LA, INC.
SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule A

Cost of Sales

Beginning Inventory	$	-
Purchase		75,699
Goods Available For Sale		75,699
Less: Ending Inventory		-
Total Cost of Sales	$	75,699

TEA O-LA, INC.
SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2021

		Schedule B
Operating Expenses		
Amortization	$	2,059
Auto Expense		1,297
Bank Services		59
License and Permit		25
Miscellaneous Expense		77
Professional Fees		8,465
Travel		7,300
Total Operating Expenses	$	19,282

TEA O-LA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities		
Net Income/(Loss)		$ 33,597
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided By Operating Activities		
Amortization	$ 2,059	
(Increase) Decrease In:		
Accounts Receivable	30,132	
Other Assets	(1,015)	
Prepaid income tax	305	
Increase (decrease) in:		
Refundable Deposit	10,000	
Income Tax Payable	5,584	
Total Adjustments		47,065
Net Cash Provided By Operating Activities		80,662
Cash Flows from Investing Activities		
Trademark Payment	(775)	
Net Cash Used in Investing Activities		(775)
Net Increase(Decrease) in Cash		79,887
Cash at Beginning of Period		14,869
Cash at End of Period		$ 94,756
Supplement Disclosures of Cash Flow Information:		
Cash Paid During the Period for Income Tax		$ 7,439

TEA O-LA INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 – Nature of business

Tea O-La, Inc. (the Company) was incorporated in the State of California in 2013 is primarily engaged in the business of providing various food items, beverages and granting for the right of use in trademark to customer.

Note 2 – Summary of significant accounting policies

(a) Use of estimates
The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(b) Property and equipment
Property and equipment are stated at cost. Major additions and improvements are capitalized, while ordinary maintenance and repairs are charged to income as incurred. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of income.

As of December 31, 2021, the Company has not purchased any property and equipment.

(c) Franchise Offering Costs
The cost in the process of Franchise Agreement and Franchise Offering Circular are recorded as Franchise Offering Costs. This intangible property will be amortized over 15 years or the useful life granted by government once the filing process is completed.

(d) Trademark & Trademark in Process
The cost in the process of trademark licensing is recorded as Trademark in Process. This intangible property will be amortized over 15 years or the useful life granted by government once the filing process is completed.

(e) Income tax
Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Note 2 – Summary of significant accounting policies (Continued)

(f) Revenue recognition

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The standard proscribes a single model for revenue recognition, with a set of principles to be used to determine the timing of revenue recognition. This standard was effective beginning January 1, 2019. The Company adopts Topic 606 implementation guidance to determine whether to recognize the revenue over time or at a point in time. Considering context of the trademark license agreement, the initial franchise license is an intellectual property with a significant standalone functionality, which does not include supporting or maintaining that intellectual property during the license period. Consequently, the Company's promise to grant a license provides customer with a right to use the Company's intellectual property that is satisfied at a point in time when the contract is executed.

In 2021, the Company received $30,000 franchise license fee, which provides the right to customer to use the trade name, that is completely satisfied at a point in time and recognized as revenue in current year.

Note 3 – Concentrations

The Company maintains deposits at a financial institution. The deposits are insured by FDIC. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category.

At December 31, 2021 the Company has not in excess of FDIC insurance limits.

The Company had revenues from two major customers of approximately 62.2% of total revenues for the period ended December 31, 2021.

The Company had purchases from two major vendors of approximately 95.7% of the total purchases for the period ended December 31, 2021.

Note 4 – Related party transactions

Certain transactions have occurred between the Company and the related parties as follow:

a) For the period ended December 31, 2021, total sales from and accounts receivable due to the other companies related by the common ownership was $18,265 and $0, respectively.

b) For the period ended December 31, 2021, total purchase from and accounts payable due to the other companies related by the common ownership was $72,459 and $0, respectively.

Note 5 – Income taxes

The provision for income taxes for the year ended December 31, 2021 consists of the following:

Current Federal Income Tax	$	9,294
Current State Income Tax		4,034
Total income tax provision	$	13,328

The deferred tax assets resulted from the net operation loss generated deferred tax that will be benefit the company in the future. The net operating loss benefit will be expired in the next twenty years for federal purpose and state purpose.

There was no deferred tax asset reported by the Company as of December 31, 2021.

Note 6 – Common stocks

The Company is authorized to issue 1,000,000 shares of common stock. As of December 31, 2021, there were 50,000 shares of common stock issued and outstanding.

Note 7 – Financial Impact of COVID-19 to the entity

The Covid-19 pandemic has developed broadly and rapidly in 2021. There is no material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and therefore whether the Company will realize its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

Note 8 – Subsequent Event

The Company had evaluated events and transactions that occurred between January 1, 2022 and March 30, 2022, which is the date the financial statements were available to be issued.

TEA O-LA, INC.

AUDIT FINANCIAL STATEMENTS

DECEMBER 31, 2020

SY, LEE & CHEN, LLP
CERTIFIED PUBLIC ACCOUNTANTS
362 W. GARVEY AVENUE
MONTEREY PARK, CALIFORNIA 91754

JOHN J. SY, C.P.A.
CHEN C. LEE, C.P.A.
TIMOTHY CHEN, C.P.A.

TELEPHONE
(626) 288-7202
FAX: (626) 573-8506

Independent Auditor's Report

Board of Directors
Tea O-La, Inc.
San Gabriel, California

We have audited the accompanying financial statements of Tea O-LA, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2020, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tea O-La, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sy, Lee & Chen, LLP

Sy, Lee & Chen, LLP
Monterey Park, California
March 12, 2021

TEA O-LA, INC.
BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2020

ASSETS

Current Assets				
Cash (Note 3)	$	14,869		
Accounts Receivable (Note 4)		64,390		
Due to Shareholder		26,770		
Prepaid Federal Income Tax		305		
Total Current Assets			$	106,334
Intangible Assets (Note 2)				
Franchise Offering Costs		11,107		
Organizational Cost		925		
Trademark		38,734		
		50,766		
Less: Accumulated Amortization		38,061		
Total Intangible Assets				12,705
Other Assets				
Trademark In Process (Note 2)				780
Total Assets			$	119,819

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities				
Refundable Deposit	$	10,000		
State Income Tax Payable		282		
Total Liabilities			$	10,282
Stockholder's Equity				
Common stock - $1 Par Value, 1,000,000 Shares Authorized, 50,000 Shares Issued and Outstanding		50,000		
Retained Earnings		59,537		
Total Stockholder's Equity				109,537
Total Liabilities and Stockholder's Equity			$	119,819

See Accountants' Audit Report and Notes to Financial Statements

TEA O-LA, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

Revenue		
Sales - Net		$ 176,423
License Income - Franchise		25,000
Net Revenue		201,423
Cost of Sales (Schedule A-1)		139,125
Gross Profit		62,298
Operating Expenses (Schedule A-2)		26,468
Net Income from Operations		35,830
Other Income		
Other Income	$ 900	
Total Other Income/(Expenses)		900
Net Income Before Income Tax Provision		36,730
Income Tax Provision (Note 2 and 5)		
Federal Income Tax	(4,791)	
State Income Tax	(2,668)	
Total Income Tax Provision		(7,459)
Net Income		$ 29,271
Retained Earnings		
Balance at 1/1/2020		$ 30,266
Net Income - Current		29,271
Balance at 12/31/20		$ 59,537

See Accountants' Audit Report and Notes to Financial Statements

TEA O-LA, INC.
SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule A-1

Cost of Sales		
Beginning Inventory	$	-
Purchase		139,125
Goods Available For Sale		139,125
Less: Ending Inventory		-
Total Cost of Sales	$	139,125

TEA O-LA, INC.
SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule A-2

Operating Expenses		
Amortization	$	1,758
Auto Expense		5,187
Insurance		967
License and Permit		25
Miscellaneous Expense		44
Non-deductible Expense		5,000
Professional Fees		10,170
Travel		3,317
Total Operating Expenses	$	26,468

TEA O-LA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities		
Net Income/(Loss)		$ 29,271
Adjustments to Reconcile Net Income/(Loss) to Net Cash Used In Operating Activities		
Amortization	$ 1,758	
(Increase) Decrease In:		
Accounts Receivable	(48,172)	
Due from Shareholder	(26,770)	
Prepaid income tax	7,177	
Increase (decrease) in:		
Income Tax Payable	282	
Total Adjustments		(65,725)
Net Cash Used In Operating Activities		(36,454)
Cash Flows from Investing Activities		
Trademark Payment	(474)	
Net Cash Used in Investing Activities		(474)
Net Increase(Decrease) in Cash		(36,928)
Cash at Beginning of Period		51,797
Cash at End of Period		$ 14,869
Supplement Disclosures of Cash Flow Information:		
Cash Paid During the Period for Income Tax		$ -

TEA O-LA INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 – Nature of business

Tea O-La, Inc. (the Company) was incorporated in the State of California in 2013 is primarily engaged in the business of providing various food items, beverages and granting for the right of use in trademark to customer.

Note 2 – Summary of significant accounting policies

(a) Use of estimates
The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(b) Property and equipment
Property and equipment are stated at cost. Major additions and improvements are capitalized, while ordinary maintenance and repairs are charged to income as incurred. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of income.

As of December 31, 2020, the Company has not purchased any property and equipment.

(c) Franchise Offering Costs
The cost in the process of Franchise Agreement and Franchise Offering Circular are recorded as Franchise Offering Costs. This intangible property will be amortized over 15 years or the useful life granted by government once the filing process is completed.

(d) Trademark & Trademark in Process
The cost in the process of trademark licensing is recorded as Trademark in Process. This intangible property will be amortized over 15 years or the useful life granted by government once the filing process is completed.

(e) Revenue Recognition
Revenue is measured based on a consideration specified in a contract with customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to customer.

Note 2 – Summary of significant accounting policies (Continued)

(f) Income tax

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

(g) New Accounting Pronouncement

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The standard proscribes a single model for revenue recognition, with a set of principles to be used to determine the timing of revenue recognition. This standard was effective beginning January 1, 2020. The Company adopts Topic 606 implementation guidance to determine whether to recognize the revenue over time or at a point in time. Considering context of the trademark license agreement, the initial franchise license is an intellectual property with a significant standalone functionality, which does not include supporting or maintaining that intellectual property during the license period. Consequently, the Company's promise to grant a license provides customer with a right to use the Company's intellectual property that is satisfied at a point in time when the contract is executed.

In 2020, the Company received $15,000 franchise license fee, which provides the right to customer to use the trade name, that is completely satisfied at a point in time and recognized as revenue in current year.

Note 3 – Concentrations

The Company maintains deposits at a financial institution. The deposits are insured by FDIC. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category.

At December 31, 2020 the Company has not in excess of FDIC insurance limits.

Note 3 – Concentrations (Continued)

The Company had revenues from two major customers of approximately 79.6% of total revenues for the period ended December 31, 2020.

The Company had purchases from two major vendors of approximately 99.54% of the total purchases for the period ended December 31, 2020.

Note 4 – Related party transactions

Certain transactions have occurred between the Company and the related parties as follow:

a) For the period ended December 31, 2020, total sales from and accounts receivable due to the other companies related by the common ownership was $4,580 and $4,580, respectively.

b) For the period ended December 31, 2020, total purchase from and accounts payable due to the other companies related by the common ownership was $139,125 and $0, respectively.

Note 5 – Income taxes

The provision for income taxes for the year ended December 31, 2020 consists of the following:

Current Federal Income Tax	$	4,959
Current State Income Tax		2,447
Total income tax provision	$	7,406

The deferred tax assets resulted from the net operation loss generated deferred tax that will be benefit the company in the future. The net operating loss benefit will be expired in the next twenty years for federal purpose and state purpose.

There was no deferred tax asset reported by the Company as of December 31, 2020.

Note 6 – Common stocks

The Company is authorized to issue 1,000,000 shares of common stock. As of December 31, 2020, there were 50,000 shares of common stock issued and outstanding.

Note 7 – <u>Financial Impact of COVID-19 to the entity</u>

The Covid-19 pandemic has developed broadly and rapidly in 2020. There is no material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and therefore whether the Company will realize its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

Note 8 – <u>Subsequent Event</u>

The Company had evaluated events and transactions that occurred between January 1, 2020 and March 12, 2021, which is the date the financial statements were available to be issued.

TEA O-LA, INC.

AUDIT FINANCIAL STATEMENTS

DECEMBER 31, 2019

SY, LEE & CHEN, LLP
CERTIFIED PUBLIC ACCOUNTANTS
362 W. GARVEY AVENUE
MONTEREY PARK, CALIFORNIA 91754

JOHN J. SY, C.P.A.
CHEN C. LEE, C.P.A.
TIMOTHY CHEN, C.P.A.

TELEPHONE
(626) 288-7202
FAX: (626) 573-8506

Independent Auditor's Report

Board of Directors
Tea O-La, Inc.
San Gabriel, California

We have audited the accompanying financial statements of Tea O-LA, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2019, and the related statements of income and retained earnings/accumulated deficits, and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tea O-La, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sy Lee & Chen, LLP

Sy, Lee & Chen, LLP
Monterey Park, California
April 2, 2020

TEA O-LA, INC.
BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2019

ASSETS

Current Assets				
Cash	$	51,797		
Accounts Receivable		16,218		
Prepaid Income Tax		7,482		
Total Current Assets			$	75,497
Intangible Assets				
Franchise Offering Costs		11,107		
Organizational Cost		925		
Trademark		38,261		
		50,293		
Less: Accumulated Amortization		36,304		
Total Intangible Assets				13,989
Other Assets				
Trademark In Process				780
Total Assets			$	90,266

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities				
Total Liabilities			$	-
Stockholder's Equity				
Common stock - $1 Par Value, 1,000,000 Shares Authorized, 50,000 Shares Issued and Outstanding		50,000		
Retained Earnings		40,266		
Total Stockholder's Equity				90,266
Total Liabilities and Stockholder's Equity			$	90,266

See Accountants' Audit Report and Notes to Financial Statements

TEA O-LA, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS/(ACCUMULATED DEFICITS)
FOR THE YEAR ENDED DECEMBER 31, 2019

Total Revenue (Schedule A)		$	23,810
Costs of Goods Sold (Schedule A)			12,024
Gross Profit			11,786
Operating Expenses (Schedule A-2)			62,101
Net Loss from Operations			(50,315)
Other Income			
Royalty Income	$ 40,000		
Other Income	3,950		
Total Other Income/(Expenses)			43,950
Provision for Income Tax			
State Income Tax	(800)		
			(800)
Net Loss		$	(7,165)
Retained Earnings			
Balance at 1/1/2019		$	47,431
Net Income - Current			(7,165)
Balance at 12/31/19		$	40,266

See Accountants' Audit Report and Notes to Financial Statements

TEA O-LA, INC.
SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule A-1

Revenue		
Net sales	$	23,810
Total Revenue	$	23,810
Cost of Goods Sold		
Beginning Inventory	$	-
Purchase		12,024
Goods Available For Sale		12,024
Less: Ending Inventory		-
Total Cost of Goods Sold	$	12,024

TEA O-LA, INC.
SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule A-2

Operating Expenses

Advertising	$	1,702
Amortization		10,661
Auto Expense		410
Bank Services		111
License and Permit		25
Marketing Expense		22,560
Meals		2,806
Miscellaneous Expense		12
Non-deductible Expense		31
Professional Fees		12,456
Travel		11,327
Total Operating Expenses	$	62,101

TEA O-LA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities				
Net Income			$	(7,165)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Used In Operating Activities				
Amortization	$	10,661		
(Increase) Decrease In:				
Accounts Receivable		(8,544)		
Other Assets		5,413		
Prepaid income tax		(7,482)		
Increase (decrease) in:				
Accounts Payable		(1,952)		
Income Tax Payable		(7,667)		
Total Adjustments				(9,571)
Net Cash Provided Used In Operating Activities				(16,736)
Cash Flows from Investing Activities				
Trademark Payment		(9,377)		
Net Cash Used in Investing Activities				(9,377)
Net Increase(Decrease) in Cash				(26,113)
Cash at Beginning of Period				77,910
Cash at End of Period			$	51,797
Supplement Disclosures of Cash Flow Information:				
Cash Paid During the Period for Income Tax			$	15,949

See Accountants' Audit Report and Notes to Financial Statements

TEA O-LA INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 – Nature of business

Tea O-La, Inc. (the Company) was incorporated in the State of California in 2013 is primarily engaged in the business of providing various food items, beverages and technical support to franchisees.

Note 2 – Summary of significant accounting policies

(a) Use of estimates
The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(b) Property and equipment
Property and equipment are stated at cost. Major additions and improvements are capitalized, while ordinary maintenance and repairs are charged to income as incurred. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of income.

As of December 31, 2019, the Company has not purchased any property and equipment.

(c) Franchise Offering Costs
The cost in the process of Franchise Agreement and Franchise Offering Circular are recorded as Franchise Offering Costs. This intangible property will be amortized over 15 years or the useful life granted by government once the filing process is completed.

(d) Trademark & Trademark in Process
The cost in the process of trademark licensing is recorded as Trademark in Process. This intangible property will be amortized over 15 years or the useful life granted by government once the filing process is completed.

(e) Income tax
Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Note 3 – Concentrations of cash

The Company maintains deposits at a financial institution. The deposits are insured by FDIC. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category.

At December 31, 2019 the Company has not in excess of FDIC insurance limits.

Note 4 – Deferred tax

The deferred tax assets resulted from the net operation loss generated deferred tax that will be benefit the company in the future. The net operating loss benefit will be expired in the next twenty years for federal purpose and state purpose.

There was no deferred tax asset reported by the Company as of December 31, 2019.

Note 5 – Common stocks

The Company is authorized to issue 1,000,000 shares of common stock. As of December 31, 2019, there were 50,000 shares of common stock issued and outstanding.

Note 6 – Subsequent Event

The Company had evaluated events and transactions that occurred between January 1, 2020 and March 25, 2020, which is the date the financial statements were available to be issued.

EXHIBIT D
PERSONAL GUARANTY

TEA O'LA, INC.
PERSONAL GUARANTY

1. I have read the Franchise Agreement between Tea O'La, Inc., a California corporation ("Tea O'La") and ___________ ("Franchisee").
2. I own a beneficial interest in the Franchisee, and would be considered an "Owner" within the definition contained in the Franchise Agreement.
3. I understand that, were it not for this Guaranty ("Guaranty"), Tea O'La would not have agreed to enter into the Franchise Agreement with Franchisee.
4. I will comply with the provisions contained in the Franchise Agreement concerning Franchisee's use of Tea O'La's Marks and Copyrighted Works, as defined in the Franchise Agreement. I understand that, except for the license granted to the Franchisee, I have no individual rights to use the Marks or Copyrighted Works and I have no ownership interest in the Marks or Copyrighted Works.
5. I will comply with the provisions contained in the Franchise Agreement concerning the use of the Confidential Manuals and Information. I will maintain the confidentiality of al Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except to the Franchisee's employees on a need to know basis, to the Franchisee's and my legal and tax professionals to the extent necessary for me to meet my legal obligations, and as otherwise may be required by law.
6. I will comply with the provisions contained in the Franchise Agreement concerning the transfer of my ownership interest in the Franchisee.
7. While I am the Owner of the Franchisee and, for a two-year period after I cease to be an Owner (or two years after termination or expiration of the Franchise Agreement, whichever occurs first), I will not:
   a. Divert or attempt to divert any present or prospective customer of any Tea Station Store to any competitor or do anything to harm the goodwill associated with the Marks and the System;
   b. Employ or seek to employ any person who is or has been within the previous 30 days employed by Tea O'La or an Affiliate of Tea O'La as an employee, or induce such person to leave his or her employment; or
   c. Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in as owner or otherwise, or relationship or association with, any business that engages in the production or sale at retail or wholesale similar goods offered by and through Tea O'La or its Affiliate, other than a Tea Station Store operated pursuant to a then-currently effective franchise Agreement.
8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Tea O'La is a party, I expressly agree to be bound by a lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.

9. I will pay all amounts due under this Guaranty within 14 days after receiving notice from Tea O'La that Franchisee has failed to make payment. I understand and agree that Tea O'La need not exhaust its remedies against the Franchisee before seeking recovery from me under this Guaranty.
10. No modification, change, impairment, or suspension of any of Tea O'La's rights or remedies shall in any way affect any of my obligations under this Guaranty. If Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Tea O'La's release of such security will not affect my liability under this Guaranty.
11. I hereby waive all rights described in California Civil Code Section 2856(a)(1)-(2) inclusive, which includes, without limitation, any rights and defenses which are or may become available to the undersigned by reason of California Civil Code Sections 2787 to 2855 inclusive, and California Civil Code Sections 2899 and 3433.
12. I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING TEA O'LA, WHICH ARISES OUT OF OR IS RLEATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT AND/OR THE OFFER OR GRANT OF THE FRANCHISE.
13. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand, one business day after electronically confirmed transmission by facsimile or other electronic system, one business day after delivery by express mail or other recognized, reputable overnight courier, or three business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Tea O'La written notice of such change.

Intending to be legally bound, I have executed this Guaranty on the date set forth below.

Guarantor:

____

Name:

Address:

Fax:

Date:

EXHIBIT E
RIDER TO LEASE

This Lease Agreement is entered into by and between _________ ("Leasor") and ___________ ("Lessee") upon the express understanding that Lessee is a licensed franchisee of TEA O'LA, INC. and that the premises are to be used during the term of this lease solely as a Tea Station franchised business. Tea O'La, Inc. ("Franchisor") is a third party beneficiary of this lease agreement and is entitled to enforce on its own behalf the rights given to it in this lease agreement.

1. During the term of this Lease, the Lessor shall not alter, redecorate, change or otherwise modify the Premises, and shall not permit any such alteration, recordation or modification to be made without the prior written consent of the Franchisor, which consent may be withheld for any reason, or no reason at all, whether reasonable or unreasonable.

2. Lessor has reviewed Franchisor's plans and specifications for preparation of the Premises as a Tea Station franchised business and has no objection to such modifications and alterations. Lessee or Franchisor may thereafter redecorate, alter or modify the Premises provided no structural changes are made, and, in the case of alterations or modification of the Premises, but not redecoration or rearrangement of fixtures, Lessee shall first obtain Lessor's written consent, which shall not be unreasonably withheld.

3. Lessor agrees not to enter into a lease agreement with another third party who intends to operate a business that is similar to or in competition with the franchised business in the same shopping center or mall owned and/or managed by Lessor and/or one that will be operated within a one-mile radius from the subject Premises.

4. Lessor shall provide written notice to Lessee and to Franchisor upon the occurrence of any Event of Default hereunder. Such notice shall be mailed to the addresses, and in such manner, as is set forth in the "Notices" section hereof if mailed to Lessee and to the following address if sent to Franchisor:

Tea O'La, Inc.
5055 Walnut Grove Ave.
San Gabriel, CA 91776
(626) 288-1663
[Fax:]

5. An "Event of Default" shall include any material breach of this Lease or of the Franchise Agreement. Upon occurrence of any Event of Default, Lessor may notify Lessee, which shall have 30 days in which to cure any such Event of Default. Franchisor may itself cure any default during the 30-day period, and may occupy the Premises and operate the franchised business if franchisee is unable to do so without any further notice or approval. If Franchisor exercises its option of taking over the Premises, and business, it may assign this Lease to another franchisee upon 30 days' notice to Lessor. In no event shall Franchisor be held liable for any liability whatsoever of the franchisee.

6. Upon termination of this Lease or of the Franchise Agreement, the Lessee shall remove all identifying signs and trademarks from the Premises. If Lessee fails to do so within five calendar days of its last day of active business or of the termination of this Lease, whichever is sooner, Franchisor may remove such signs and marks itself.

Lessor:	Lessee: ________________________
Name: ________________________	Name: ________________________
Title: ________________________	Title: ________________________

EXHIBIT F
LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
CALIFORNIA	Commissioner of State of California Department of Financial Protection and Innovation 2101 Arena Blvd, Sacramento CA 95834	Department of Financial Protection and Innovation 2101 Arena Blvd, Sacramento CA 95834 (213) 576-7505or (866) 275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov
HAWAII	Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 304 Honolulu, HI 96813	Securities Compliance Branch Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706	Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892
INDIANA	Secretary of State Administrative Offices 201 State House Indianapolis, IN 46204	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
MARYLAND	Maryland Securities Commissioner Securities Division 200 St. Paul Place Baltimore, MD 21202-2020	Maryland Attorney General Office of the Attorney General 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottowa 670 Law Building Lansing, MI 48913	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198	Deputy Commissioner Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328
NEW YORK	Secretary of State of the State of New York 41 State Street Albany, NY 11231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
RHODE ISLAND	Director of Rhode Island Department of Business Regulation Division of Securities Suite 232 Providence, RI 02903	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
SOUTH DAKOTA	Director of South Dakota Division of Securities c/o 500 East Capitol Pierre, SD 57501	Franchise Administrator Division of Securities c/o 118 West Capitol Pierre, SD 57501-5070 (605) 773-4013
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, WA 98501	Administrator Dept. of Financial Institutions Securities Division P.O. Box 4102 Tumwater WA 98504--1200 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4th Floor Madison, WI 53703	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 261-9555

EXHIBIT G

OPERATIONS MANUAL

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SECTION 10 – *LISTS & FORMS*

EXHIBIT H
LIST OF FRANCHISEES

California

1. Ling Luong
   1425 Artesia Blvd.
   Gardena, CA 90248
   626-560-5755

2. Kevin Zhang
   7315 Clairemont Mesa Blvd.
   San Diego, CA 92111
   858-699-2233

3. Kevin Zhang
   9003 Mira Mesa Blvd.
   San Diego, CA 92126
   858-699-2233

4. ChiLang Kao
   9578 Las Tunas Dr.
   Temple City, CA 91780
   626-818-3389

5. Luiqi Liu
   4620 Del Amo Blvd.
   Torrance, CA 90503
   626-905-9656

Colorado

1. Lancy Hwu
   1700 Platte St.
   Denver, CO 80202
   720-206-7630

EXHIBIT I
CALIFORNIA APPENDIX
TO TEA O'LA, INC. FRANCHISE DISCLOSURE DOCUMENT

Cover Page

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.

Risk Factors:

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

Item 3. Litigation

None of the persons identified in Item 2 of the franchise disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defied in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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

Your spouse will be liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Item 17. Renewal, Termination, Transfer and Dispute Resolution

In connection with Item 17 of the franchise disclosure document, the following paragraphs are included pursuant to California law:

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

2. The Franchise Agreement provides for a termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. §101, et seq.).

3. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

4. The Franchise Agreement requires application of the laws of the state in which Franchisor maintains its principal place of business. This provision may not be enforceable under California law.

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

6. Each franchisee must provide the Franchisor a personal guarantee for all obligations under the Franchise Agreement.

7. Each provision of this Appendix to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-31516, and the California Franchise Relations Act, CA Bus. & Prof. Code §§20000-20043, are met independently without reference to this Appendix to the disclosure document.

8. 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.

9. You must sign a general release if you renew or transfer your franchise. California Corporations 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).

10. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

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

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	
Hawaii	N/A
Illinois	N/A
Indiana	N/A
Maryland	N/A
Michigan	N/A
Minnesota	N/A
New York	N/A
North Dakota	N/A
Rhode Island	N/A
South Dakota	N/A
Virginia	N/A
Washington	N/A
Wisconsin	N/A

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

EXHIBIT J
RECEIPT
(RETURN THIS COPY TO US)

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF TEA O'LA, INC. OFFERS YOU A FRANCHISE/ SUBFRANCHISE, TEA O'LA, INC. MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU BY THE EARLIEST OF:

1. THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
2. FOURTEEN CALENDAR DAYS BEFORE SIGNING OF A BINDING AGREEMENT;
3. FOURTEEN CALENDAR DAYS BEFORE ANY PAYMENT TO TEA O'LA, INC.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN ANY FRANCHISE AGREEMENT.

IF TEA O'LA, 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 AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISION, WASHINGTON D.C. 20580 AND THE APPROPRIATE STATE REGULATORY AGENCY LISTED IN EXHIBIT F.

TEA O'LA, INC. authorizes the state agencies listed in Exhibit F to receive service of process for TEA O'LA, INC. TEA O'LA, INC.'s sales agent for this offering is Yu-Liang Huang , located at 5055 Walnut Grove Ave., San Gabriel, CA 91776
(Phone No.: (626) 288-1663).

I have received a Uniform Franchise Disclosure Document dated with an issuance date of March 30, 2022. This Disclosure Document included the following Exhibits:

Exhibit A: Franchise Application
Exhibit B: Franchise Agreement
Exhibit C: Financial Statements
Exhibit D: Personal Guaranty
Exhibit E: Rider to Lease
Exhibit F: List of State Administrators and Agents for Service of Process
Exhibit G: Operations Manual (Table of Contents)
Exhibit H: List of Franchisees
Exhibit I: California Appendix
Exhibit J: Receipt

Dated: _____________

____
Franchisee

____
Print Name

EXHIBIT J
RECEIPT
(YOUR COPY)

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Dated: _____________

____
Franchisee

____
Print Name