

FRANCHISE DISCLOSURE DOCUMENT

	Tealux Franchising, LLC d/b/a Tealux, A Virginia Limited Liability Company 7870 Tidewater Drive, #201 Norfolk, VA 23505 757-707-9000 Email: tealuxcafe@gmail.com www.TealuxCafe.com
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Tealux Franchising, LLC d/b/a Tealux offers a franchise opportunity to offer a fast casual restaurant serving Boba Tea, Banh Mi, Smoothies, Vietnamese Coffee, Snack Foods, and ToFu Desserts.

Full Kitchen:

The total investment necessary to begin operation of a Tealux Full Kitchen franchise is \$381,567 to \$581,110. This includes \$50,500 - \$51,000 that must be paid to the franchisor or affiliate.

Beverage and Snacks:

The total investment necessary to begin operation of a Tealux Beverage and Snacks franchise is \$280,505 to \$488,607. This includes \$40,500 - \$41,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Oanh “Tina” Dang, 7870 Tidewater Drive, #201, Norfolk, VA 23505; 757-707-9000.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or

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

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

Issuance date: April 26, 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 INFORMATION
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 Exhibits E and F.
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 H 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 Tealux business in the 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 Tealux franchisee?	Item 20 or Exhibits E and F list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the Franchisor's ability to use this trademark in your area is challenged, you may have to identify your business and its products/services by a different name. This change can be expensive and may reduce brand recognition of the products and services you offer.
4. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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.

MICHIGAN ADDENDUM TO THE DISCLOSURE DOCUMENT

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchise's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor;
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations;
 - (iv) The failure of the franchisee or proposed transferee to

pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

**DISCLOSURES REQUIRED
BY NORTH CAROLINA LAW**

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

For North Carolina Franchises:

45 Day Cancellation Notice

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

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Exhibits

- A. State Addenda to the Disclosure Document
- B. List of State Administrators and Registered Agents
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- D. Release
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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor, and any Parents, Predecessors, and Affiliates. To simplify the language in this disclosure document, the terms “we,” “us,” and “our” refer to Tealux Franchising, LLC d/b/a Tealux, the Franchisor. The terms “you” and “your” refer to the person or entity that buys this franchise, including any guarantors.

We are a Virginia limited liability company formed on September 29, 2021.

Our principal business address is 7870 Tidewater Drive, #201, Norfolk, VA 23505.

We do business as “Tealux.”

Exhibit B contains our agents for service of process.

We do not have any parents or predecessors.

We have an affiliate, Teaville Lounge Inc. d/b/a Tealux, a Virginia limited liability company, with a principal business address at 7870 Tidewater Drive, #201, Norfolk, VA 23505 that was formed on September 28, 2020. Teaville Lounge has operated a business similar to the one offered through this disclosure document since July 2021.

Our Business and the Franchises Offered. The franchise offered is to operate a fast casual restaurant serving Boba Tea, Banh Mi, Smoothies, Vietnamese Coffee, Snack Foods, and ToFu Desserts (“Franchised Business”).

We have offered franchises since November 2021. We have not offered franchises in any other line of business.

We do not operate a business of the type being franchised. We do not engage in other business activities except the offering of franchises as disclosed here.

The Market and Competition. The market for your services and products is the general public. In most areas, the market is developed. Sales are year-round.

Your franchised business may have to compete with other businesses offering services and products similar to those that you will offer, including franchised operations, national chains, and other independently owned companies.

Laws and Regulations. Your business may be subject to various federal, state, and local laws and regulations, including those that (i) establish general standards, specifications, and requirements for the construction, design, and maintenance of restaurant premises, (ii) regulate matters affecting the health, safety, and welfare of your customers, such as general health and sanitation requirements for restaurants, employee practices concerning the storage, handling, cooking, and preparation of food and beverages, restrictions on smoking, availability of and requirements for public accommodations, including restrooms, (iii) establish menu disclosure

standards, and (iv) regulate the proper use, storage, and disposal of waste materials. You should investigate the application of these laws further.

ITEM 2 BUSINESS EXPERIENCE

Oanh “Tina” Dang, CEO. Oanh “Tina” Dang has served as our CEO since our formation in September 2021. From September 2020 to the present, Ms. Dang has also served as the CEO of our affiliate, Teaville Lounge Inc. d/b/a Tealux in Norfolk, VA. From March 2013 to the present, Ms. Dang has also served as CEO of Lotus Day Spa in Norfolk, VA. From September 2014 to the present, Ms. Dang has also served as CEO of Miracle Beauty and Nails Academy in Virginia Beach, VA.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this item.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

ITEM 5 INITIAL FEES

You must pay to us an initial franchise fee of \$50,000 for a Full Kitchen franchise, or \$40,000 for a Beverage and Snacks franchise.

We discount the initial franchise fee by 50% for an existing franchisee purchasing an additional territory.

We also offer a 10% discount on the initial franchise fee to an honorably discharge U.S. Veteran.

Except as disclosed above, the initial franchise fee is uniformly imposed.

The initial franchise fee is fully earned and nonrefundable upon your signing of the franchise agreement and receipt of the funds by us.

Opening Inventory

You must purchase approximately \$500 - \$1,000 of tea from us before opening for business.

We do not finance any portion of your initial fees.

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**ITEM 6
OTHER FEES**

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty Fee	5% of Gross Revenues	Weekly via ACH on Tuesday for the sales during the week ending the immediately preceding Sunday.	See Note 1 for a definition of "Gross Revenues."
Brand Fund Contribution	1% of Gross Revenues	Weekly	We reserve the right to increase to as much as 3% of Gross Revenues.
Local Advertising	2% of Gross Revenues or \$500 per month, whichever is greater	Monthly - as incurred by you	You must spend this sum each month on pre-approved marketing within your territory.
Technology Fee	\$250 per month	Monthly	We have a right to increase the Technology Fee up to \$500 per month with 30 days' notice.
Software Fees	\$125 per month (approximately)	Monthly	For the use of third party accounting software.
Conference Convention Fee	Up to \$1,500	Before attending Convention	You must pay this sum whether you attend our annual Convention or not.

Transfer Fee (a) All transfers except as provided in (b) below. (b) Transferee is an entity controlled and owned by current Franchisee or upon Franchisee's death or disability to a spouse, parent or child.	50% of the then current franchise fee, with a minimum of \$7,500 No charge.	The transfer fee is paid upon application to transfer	Payable if we approve your transfer request, but prior to execution of final transfer agreements and authorization.
Renewal Fee	\$2,500	Upon signing a then current form franchise agreement	Payable if we approve your renewal request and upon signing our then current franchise agreement.
Operations Manual Replacement Fee	\$500	As Incurred	You must pay this fee if you request a replacement Manual.
Additional training	Currently \$500 per person per day plus expenses incurred.	As Incurred prior to beginning of additional training	Payable if you bring more than one additional person to initial training or in the event of additional training.
Relocation Fee	Our actual costs and expenses	As Incurred	To reimburse our costs and expenses incurred if you relocate your Franchised Business.
Interest	1.5% per month or highest rate allowed by law	As Incurred	Payable on all overdue amounts owed by you to us from the date of nonpayment or underpayment.
Reporting Non-Compliance	\$150 per occurrence	14 days of invoice	Payable for failure to timely submit any reports

			or financial statements.
Operations Non-Compliance	\$450 to \$1,000 per occurrence	14 days of invoice	Payable for failure to comply with operational standards.
Insufficient Funds Fee	\$50 per occurrence	As incurred	You pay this fee for any insufficient funds check or electronic transfer to us.
Reimbursement of Costs and Expenses	Varies	As Incurred	Payable to us if we pay any expenses on your behalf.
Testing or Supplier Approval Fee	\$500 plus our expenses	Upon request	We refund the \$500 fee to you if the product/supplier is approved for use by the entire system.
Client Refunds	The amount of any fee we refund to a client	At time of payment	If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client of all or a portion of the client fees, we may make the refund and bill you. You agree to pay the charges.
Management Fee	20% of Gross Revenues plus our expenses	Weekly with Royalty payment	Payable in the event we must operate your franchise due to death, disability, etc.
Audit Fee	Costs and expenses.	As incurred	Payable if you under reported Gross Revenues by 2% or more.
Post-Termination or Post-Expiration Expenses	Varies	As Incurred	You must pay us any post-termination or post-expiration expenses.
Legal fees and expenses	Actual costs incurred	As Incurred	You must pay to us any legal fees and expenses for any failure to pay amounts when due or failure to comply in any way with the Franchise

			Agreement, or if we are the prevailing party in litigation with you.
Sales, excise or gross receipts tax	Amount of the tax	At time of payment of fees to us which are subject to any tax	You must reimburse us for any tax we pay on any fee imposed on you.
Remodeling	Actual costs incurred	At time of remodeling	We may require you to remodel your business once every ten (10) years and you agree to do so pursuant to our guidelines.
Indemnification	The amount of any claim, liability or loss we incur from your Franchised Business.	As Incurred	

Notes:

1. “Gross Revenues” is defined as all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business, excluding only sales and use taxes.
2. Fees and ACH Electronic Transfer. Unless otherwise stated, all fees are imposed by, payable to, and collected by us, and are nonrefundable. Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. See Schedule 2 to the Franchise Agreement. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and their bank new documents to permit us to debit your bank account within three days.

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ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Full Kitchen Model:

<u>Type of Expenditure</u>	<u>Estimated Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
	<u>Low</u>	<u>High</u>			
Initial Franchise Fee ¹	\$50,000	\$50,000	Lump sum	At signing of Franchise Agreement	Us
Construction, Leasehold Improvements ²	\$200,000	\$250,000	As incurred	Before opening	Contractor/ Third parties
Furniture and Fixtures ³	\$10,000	\$25,000	As incurred	Before opening	Third parties
Equipment ⁴	\$28,985	\$72,461	As incurred	Before opening	Third parties
Signage (interior and exterior) ⁵	\$14,700	\$34,500	As incurred	Before opening	Third parties
Computer, Software and Point of Sale System ⁶	\$1,694	\$1,753	As incurred	Before opening	Third parties
Opening Inventory ⁷	\$5,750	\$13,000	As incurred	Before opening	Third parties and Us
Rent Deposits ⁸	\$5,115	\$17,050	As incurred	Before opening	Landlord
Utility Deposits ⁹	\$563	\$938	As incurred	Before opening	Utility providers
Insurance Deposits and Premiums ¹⁰	\$125	\$625	As arranged	Before opening	Insurance company
Pre-opening Travel Expense ¹¹	\$2,000	\$5,200	As incurred	Before opening	Airline, hotel, restaurants
Grand Opening Advertising ¹²	\$3,000	\$5,000	As incurred	Prior to opening	Third parties
Professional Fees ¹³	\$9,000	\$17,500	As arranged	Before opening	Attorneys, accountants
Business Permits and Licenses ¹⁴	\$150	\$1,750	As incurred	Before opening	Licensing Authorities

Printing, Stationery and Office Supplies ¹⁵	\$500	\$1,050	As incurred	Before opening	Third parties
Additional funds – 3 Months ¹⁴	\$49,985	\$85,283	As incurred	After opening	Various
Total¹⁵	\$381,567.00	\$581,110.00			

Beverage and Snacks Model:

<u>Type of Expenditure</u>	<u>Estimated Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
	<u>Low</u>	<u>High</u>			
Initial Franchise Fee ¹	\$40,000	\$40,000	Lump sum	At signing of Franchise Agreement	Us
Construction, Leasehold Improvements ²	\$120,000	\$200,000	As incurred	Before opening	Contractor/ Third parties
Furniture and Fixtures ³	\$10,000	\$25,000	As incurred	Before opening	Third parties
Equipment ⁴	\$18,923	\$47,308	As incurred	Before opening	Third parties
Signage (interior and exterior) ⁵	\$14,700	\$34,500	As incurred	Before opening	Third parties
Computer, Software and Point of Sale System ⁶	\$1,694	\$1,753	As incurred	Before opening	Third parties
Opening Inventory ⁷	\$5,750	\$8,000	As incurred	Before opening	Third parties and Us
Rent Deposits ⁸	\$5,115	\$17,050	As incurred	Before opening	Landlord
Utility Deposits ⁹	\$563	\$938	As incurred	Before opening	Utility providers
Insurance Deposits and Premiums ¹⁰	\$125	\$625	As arranged	Before opening	Insurance company
Pre-opening Travel Expense ¹¹	\$1,000	\$3,100	As incurred	Before opening	Airline, hotel, restaurants
Grand Opening Advertising ¹²	\$3,000	\$5,000	As incurred	Prior to opening	Third parties
Professional Fees ¹³	\$9,000	\$17,500	As arranged	Before opening	Attorneys, accountants

Business Permits and Licenses ¹⁴	\$150	\$1,500	As incurred	Before opening	Licensing Authorities
Printing, Stationery and Office Supplies ¹⁵	\$500	\$1,050	As incurred	Before opening	Third parties
Additional funds – 3 Months ¹⁴	\$49,985	\$85,283	As incurred	After opening	Various
Total¹⁵	\$280,505.00	\$488,607.00			

Notes applicable to both Tables above:

*None of the fees paid to us in this chart are refundable. Whether such fees paid to third parties are refundable would depend upon their policies.

1. Initial Franchise Fee- The initial franchise fee assumes the purchase of one territory.
2. Construction, Leasehold Improvements- These are the estimated amounts for the build out of your premises. We estimate you will need approximately 1,500 square feet of space. Costs will vary based on the geographic area of the country and the condition of the premises.
3. Furniture and Fixtures- These costs are for the tables, chairs, shelving, decorations, and other items.
4. Equipment- Represents the cost to acquire refrigeration equipment, exhaust hood (for the Full Kitchen model only), cabinetry, ice maker and other equipment.
5. Signage- These figures represent the costs you will incur for interior and exterior signage.
6. Computer, Software, and Point of Sale System- You must purchase computer hardware, software, and a POS system per our specifications.
7. Opening Inventory- You will need to purchase food ingredients, paper products, and other opening inventory.

You must purchase approximately \$500 - \$1,000 of tea from us before opening for business.

8. Rent Deposits- You would normally lease your space and pay a security deposit and your first and last month's rent. Rental rates will vary based on the size of the space you lease and the level of rent rates in your area.
9. Utility Deposits- You will need electric, gas, and water. Costs will vary.
10. Insurance Deposits and Premiums- Represents an estimate initial deposit on an annual premium of \$2,000 for required insurance coverage.

11. Pre-opening Travel Expense- Represents the travel and lodging expense for 2 persons to attend training in the Norfolk, VA area. Payroll costs, if any, are not included.
12. Grand Opening Advertising- You agree to spend these sums to promote the opening of your business pursuant to our guidelines.
13. Professional Fees- Represents fees to attorneys, accountants and other advisors for review of the franchise agreement, establishment of a legal entity, and setup of accounting systems. Also includes estimated Architect costs.
14. Business Permits and Licenses- Represents local business licenses. It is your responsibility to understand local municipality codes and licensing requirements in each municipality in which you will conduct events.
15. Printing, Stationery, and Office Supplies- Represents the cost to produce items such as business cards, office supplies, items bearing our Marks, and uniforms.
16. Additional Funds- 3 Months- Includes rent, insurance, utilities, technology fee, local marketing, payroll, utilities, and miscellaneous expenses. We base this estimate upon the experience our management team has in operating our similar affiliate outlet.
17. Total- These figures are estimates of your initial expenses covering the first three months of your operation. We cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on: how well you follow our methods and procedures; your management skills; experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; and competition. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The Goods or Services Required to be Purchased or Leased:

Advertising and Marketing

You must use advertising material from us, a vendor that we designate, or we must approve the advertising in writing, prior to its use.

Architectural and Engineering Services

You must purchase architectural and engineering services to assist in your build out. You may purchase these services from any qualified vendor.

Computers and Software

You must purchase computer hardware and software designated by us. You will set up, maintain and utilize e-mail capability with an e-mail service designated by us for the purposes of receiving electronic correspondence from us, other franchisees and your customers.

Furniture, Fixtures, and Equipment

You must purchase furniture, fixtures, and equipment from a vendor that we designate or subject to our specifications.

Inventory and Supplies

You must purchase inventory and supplies from approved suppliers that we designate or pursuant to our specifications. You must purchase certain seasonings and sauces from us.

Insurance

You must purchase insurance as required by state law and the following coverage types and amounts:

General Liability	
Each Occurrence	1,000,000
Damage to Rented Premises	100,000
Med Exp (any one person)	5,000
Personal & Adv. Liability	1,000,000
General Aggregate	2,000,000
Products	1,000,000
Cyber	
Employer Practices	
Other insurance	
Business Personal Property/RC included Equipment Breakdown	150,000
Auto Liability	
Combined Single Limit	1,000,000
Workers Compensation	per state requirements

If a lease or any contract requires higher limits than listed above, the lease will control, but limits can never be lower than listed above.

Each policy, except workers' compensation, must name us as an additional insured. All policies must be endorsed to include a waiver of subrogation in our favor and our subsidiaries, affiliates, successors and assigns and their respective directors, officers, shareholders, members, managers, partners, employees, servants, representatives, independent contractors and associates.

Leased Location

You will need a site in which to operate the franchised. We furnish site selection guidelines. We require you to send to us any proposed lease and information as required by us to evaluate the site for our approval before you sign the lease. You may lease from any landlord.

Leasehold Improvements

You may purchase leasehold improvements from any supplier but must build out your location according to our specifications.

Signage

You must purchase signage according to our specifications.

Uniforms

You must purchase uniforms from our designated vendor or pursuant to our specifications.

Whether we or our Affiliates are Approved Suppliers:

We are currently approved suppliers of advertising material but not the only approved supplier of such items.

We are currently an approved supplier, and the only approved supplier, of tea.

Officer Interests in Suppliers:

Our officer, Oanh “Tina” Dang, owns an interest in us.

Alternative Suppliers:

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if approved by us and they meet our criteria. We charge \$500 plus any costs incurred to test another supplier that you propose. We refund the \$500 fee to you if we approve the product/supplier for use by the entire franchise system. If you wish to propose to us another supplier, you may submit the proposed supplier that you wish for us to consider in writing. We will examine the quality of the items and the supplier’s ability to supply a sufficient quantity in a timely way with good customer service to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 60 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

Issuance and Modification of Specifications:

We issue and modify specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

Revenue from Required Purchases:

We may, but do not currently, derive revenue or other material consideration from required purchases or leases by you.

In our last fiscal year, neither we nor our affiliates earned revenue or other material consideration from required purchases or leases by franchisees.

Required Purchases as a Proportion of Costs:

We estimate that required purchases described above will be approximately 50-70% of all purchases and leases by you of goods and services to establish a franchise and approximately 30-50% of your operating costs.

Supplier Payments to Us:

Designated suppliers may make payments to us from franchisee purchases.

In the fiscal year ended December 31, 2021, we did not yet receive any supplier rebates but anticipate supplier rebates in the future.

Purchasing or Distribution Cooperatives:

At this time, we do not have any purchasing or distribution cooperatives.

Purchase arrangements:

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

Material Benefits:

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

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ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Franchisee's Obligations	Section In Franchise Agreement	Item in Disclosure document
a. Site selection and acquisition/lease	3, 6.2	11
b. Pre-opening purchases/leases	6	7, 8
c. Site development and other pre-opening requirements	6.2	11
d. Initial and ongoing training	5.8, 6.1, 6.8	11
e. Opening	6.3	11
f. Fees	4, 13.3, 15, 19.11	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	6.4	8, 11
h. Trademarks and proprietary information	7, 8	13, 14
i. Restrictions on products/services offered	6.6	8, 16
j. Warranty and customer service requirements	6.7	6
k. Territorial development and sales quotas	3	12
l. Ongoing product/service purchases	6	8
m. Maintenance, appearance & remodeling requirements	6.14	Not Applicable
n. Insurance	6.9	8
o. Advertising	7	8, 11
	13.3	6

Franchisee's Obligations	Section In Franchise Agreement	Item in Disclosure document
p. Indemnification		
q. Owner's participation/management/staffing	6.5	15
r. Records and reports	9	11
s. Inspections and Audits	9	11
t. Transfer	14	17
u. Renewal	2.2	17
v. Post-termination obligations	11	15, 16, 17
w. Non-competition covenants	12	15, 16, 17
x. Dispute resolution	19	17

ITEM 10 FINANCING

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

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

Except as listed below, we are not required to provide you with any assistance.

Before Opening:

Initial Training. We provide an initial training program in Norfolk, VA or another location of our choosing. The topics covered in initial training are described in the chart below in this Item 11. (Franchise Agreement, Section 5.1).

We do not generally own the premises and lease it to you. We provide to you criteria to help you select a site. We must approve any site you select before you sign a lease for that location. We do not select the site. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the information required by us on the proposed site.

We consider the following factors when reviewing a proposed site: (i) residential and office building population, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) proximity to

other locations of ours, (vii) accessibility, (viii) traffic, (ix) size, (x) condition and character, (xi) parking, and (xii) available signage.

If you do not locate a site of which we approve within 120 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time. (Franchise Agreement, Section 5.2(a)).

Plans and Layout. We will furnish a sample site layout plan. (Franchise Agreement, Section 5.2(b)).

Build out. It is your responsibility to conform the premises to federal, state or local ordinances, building codes, licensing requirements and obtain any required permits. (Franchise Agreement, Section 6.2(b)).

Lease. Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement. (Franchise Agreement, Sections 5.2(c) and 6.2(d)).

Assistance to Hire and Train Employees. We provide guidance on how to hire and train employees. (Franchise Agreement, Section 5.3).

Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide guidance to obtain equipment, signs, fixtures, opening inventory, and supplies. We do not deliver or install these items. (Franchise Agreement Section 5.4).

Operations Manual. We provide access to our Operations Manual (“Manual”) to offer guidance in the operation of your Franchised Business. (Franchise Agreement, Section 5.5).

Marketing Support. We provide support and advice to you in the conduct of advertising. (Franchise Agreement, Sections 5.7 and 7.6).

Length of Time Before Opening: The typical length of time between the signing of the Franchise Agreement and the opening of your Franchised Business is 4-6 months. You agree to begin operations and be open for business no later than 6 months from the time both parties execute the franchise agreement.

Factors that can affect the time length in which to be open for business include: the time needed to (1) obtain financing; (2) enter into a lease; (3) comply with zoning; (4) obtain licenses and permits; (5) perform construction; (6) weather conditions; (7) acquire and install furniture, fixtures, equipment, and signage; and (8) hire and train staff.

During the Operation of the Franchise:

Operational Support. We offer assistance with operating problems and issues that you may encounter. (Franchise Agreement, Section 5.6).

Marketing Support. We provide support and advice to you in the conduct of advertising. (Franchise Agreement, Section 5.7 and 7.6).

Computer Hardware and Software. We may specify computer hardware and software to assist in the operation of your Franchised Business. (Franchise Agreement, Section 5.8).

Additional Training or Seminars. We may elect to offer additional training or seminars. (Franchise Agreement, Section 5.9).

Advertising Program and Fund:

Grand Opening Advertising. You must spend a minimum of \$3,000 - \$5,000 pursuant to our guidelines on Grand Opening Advertising in the time from 60 days prior to opening through 90 days after opening. (Franchise Agreement, Section 7.3).

Local Advertising. You must spend a minimum of 2% of Gross Revenues or \$500 per month, whichever is greater, pursuant to our guidelines on local advertising, marketing, and promotional activities. (Franchise Agreement, Sections 4.4 and 7.4).

Social Media. You may wish to use Social Media Platforms (defined as web based platforms such as Facebook, Twitter, LinkedIn, Snapchat, Instagram, blogs and other networking and sharing sites) or use Social Media Materials (defined as any material on any Social Media Platform that makes use of our Principal Trademarks, name, brand, products or your Franchised Business whether created by us, you or a third-party). Your approved expenditures toward Social Media Platforms and Social Media Materials will count towards your required Local Advertising expenditures. (Franchise Agreement, Section 7.5).

Brand Development Fund. We maintain a Brand Development Fund (“Fund”) and require you to contribute 1% of Gross Revenues to the Fund. Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

If not all Fund fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may not use Fund fees to solicit new franchise sales but may include “Franchises Available” or similar language on all advertising placed with Fund fees.

We may conduct advertising using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located.

In our last fiscal year ending December 31, 2021, we did not raise or spend any Brand Development Fund fees.

Use of Your Own Advertising Material. You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. You may not use a Social Media Platform or Social Media Materials without our prior written approval.

Advertising Council. We do not have an advertising council composed of franchisees that advises us on advertising policy, but reserve the right to form one in the future.

Advertising Cooperative. You are not required to participate in a local or regional advertising cooperative.

Computer Systems:

We require you to have an internet connection, email, a laptop or desktop computer, a tablet with a portable speaker, a printer/coper/scanner, credit card Point of Sale processing facilities (presently Clover), as well as QuickBooks accounting software.

Depending on what computer systems you already have, these items can be purchased for approximately \$1,694 - \$1,753.

Technology Fee- You must also pay to us a monthly Technology Fee of \$250 per month, which we can raise up to \$500 per month.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$1,000.

Independent Access to Information. We have and you are required to provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a copy of any business records, you must send us at your expense these records within five business days of receiving our request.

We also have the right to send “Mystery Shoppers” into your store.

Operations Manual:

Exhibit G contains the Table of Contents to the Operations Manual along with the page count per chapter. The total page count of the Operations Manual is 140 pages.

Initial Training Program:

The training program will be held in Norfolk, VA. Training is conducted over the course of 2 weeks, lasting between 7 and 9 hours per day. We will train up to two (2) people, at least one owner and the general manager must attend. Trainees must hold/complete ServSafe Certification (or locally approved equivalent food handler's certification) prior to attending training.

Pre-opening training will include at least one opening and one closing shift in addition to operating procedures, marketing, financial management and train the trainer for staff onboarding. Pre-opening training is a requirement to operating the franchised business and must be successfully completed prior to opening. Our pre-opening training program is typically conducted four (4) to six (6) times a year and is held every eight (8) to twelve (12) weeks.

The initial training program will be conducted by Tina Dang whose experience is covered in Item 2 of this document. We will review trainee understanding and knowledge of procedures outlined in the Franchise Operations Manual which is provided during franchise onboarding. We train using visual, verbal, and hands-on instruction. We may employ video and virtual instruction to cover the topics identified on the chart below.

Training Topic	Hours of Classroom Training	Hours of On the Job Training	Location
Welcome: Introduction to Training, History of the Brand, Our Culture, Mission and Vision	2	0	Norfolk, VA
Personnel: Staffing, Positions, Hiring, Creating Your Policies and Scheduling	2	2	Norfolk, VA
Marketing: Creating Brand Awareness, Promotional Offers, Strategies to Develop Customers and Build Loyalty	4	2	Norfolk, VA
Operational Procedures: Opening and Closing Process, Customer Service Standards, Maintaining Equipment, Cleaning and Sanitation, POS Systems and Payment Processing	6	28	Norfolk, VA
Product Preparation: Our Menu, Recipes, Preparation Procedures, Safe Food Handling, Receiving and Managing Inventory	4	18	Norfolk, VA
Financial Management: Banking Procedures, KPIs and Reporting, Royalties and Franchise Obligations	2	4	Norfolk, VA
Review: Training Assessment, Start Up Inventory, Working with Suppliers and Grand Opening Plan	4	2	Norfolk, VA
SUBTOTAL HOURS	24	56	
TOTAL HOURS	80		

We will provide 2 to 3 days of on-site support following the conclusion of your pre-opening process. All trainees must have successfully completed the training program. We will assess all operational and image standards with brand compliance. If approved, you may schedule Grand Opening of the cafe. If approved, you may open for business; if not approved, we reserve the right to require additional training in order to successfully complete the initial training program.

We use the Operations Manual, PowerPoint presentations, and the props and equipment you will use in your Franchised Business to conduct initial training.

We do not charge for you and one other person to attend initial training, but you are responsible for travel, lodging, transportation, meal costs, and your employees' wages to attend initial training. If you desire to bring more people, and we agree, you must pay to us \$500 per person per day plus any extra expenses we incur.

We require that you or, in the case of an entity, your principal, attend initial training. You may enroll other personnel upon our approval. Successful completion of initial training is required to operate a franchise. We advise you during or immediately after initial training if you have successfully completed the course.

Additional Training or Refresher Courses. We may elect to offer and require you to attend, either live or electronically, additional training or refresher courses that we may offer. You must pay your travel and living expenses if we offer the training other than at your location. You must pay the expenses of our trainers if we hold the training at your location.

ITEM 12 TERRITORY

The territory will be for a specific geographic region that we define and approve by zip codes, natural, or political boundaries as set forth on Schedule 1 to the Franchise Agreement.

The typical territory will normally include a population of approximately 40,000 or a 2-5 mile radius around your approved location, depending on population density and other demographic and geographic factors. If the territory is for a specific geographic area (as opposed to a radius around your location), it will be defined by zip codes, natural or political boundaries.

We use the U.S. Census Bureau or another source we deem reliable for population data.

We may approve relocation of the franchised business if we feel that conditions have changed such that a relocation represents a sound business decision.

We would not normally grant to you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise territory, even if there is a population increase in your territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

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ITEM 13 TRADEMARKS

The franchise agreement licenses to you the right to use the following principal trademarks (“Marks”) registered or applied for with the U.S. Patent and Trademark Office (“USPTO”):

Description of Mark	Serial/Registration Number	Principal or Supplemental Register of the USPTO	Registration Date
	90573120	Principal	Not Registered. Pending (Applied for March 11, 2021)
TEALUX	90234116	Principal	Not Registered. Pending (Applied for October 4, 2020)

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

We have filed all required affidavits and renewals.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There are no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

Teaville Lounge, Inc., a Virginia corporation, owns the trademarks listed in the chart above and licenses them to us pursuant to a written License Agreement effective October 21, 2021. The License Agreement is perpetual in duration and may be terminated upon a material breach not remedied after 30 days’ written notice. If the License Agreement was terminated, you could lose the right to use the trademarks licensed to us under the License Agreement. There are no other currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or claims.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If we discontinue or modify our Marks, you must adopt and use any new marks as required by us. Any expenses you incur because of adopting and using these marks are your responsibility.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

At this time, we do not hold any patents. We claim a copyright to our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights. We consider all of these items confidential and proprietary. Upon termination of your franchise agreement, you must return to us our Operations Manuals and any confidential information.

You will not directly or indirectly disclose, publish, disseminate or use our “Confidential Information” except as authorized in the Franchise Agreement. You may use our Confidential Information to perform your obligations under the Franchise Agreement, but in doing so you will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. We may share performance data of your franchised business between us, our employees and affiliates, our franchisees and their employees. You agree to keep such performance data confidential.

“Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

“Customer Data” is considered Confidential Information, and includes all information about Customers that may be collected in connection with their use of your services, including, but not limited to, name, telephone number, address and email address. We retain all right, title, and interest in and to the Customer Data, including all intellectual property rights.

Upon termination of your franchise agreement, you must return to us our Operations Manuals and any Confidential Information, including Customer Data. You may never - during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated - reveal any of our Confidential Information to any other person or entity or use it for the benefit of any other person or business.

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

You are not required to participate personally in the direct operation of your Franchised Business but we recommend it. You may instead hire a General Manager to run the Franchised Business day to day, but the General Manager must first successfully complete our initial training. The General Manager is not required to have an equity interest in the franchise.

We require you to obtain a signed nondisclosure and non-competition agreement from any General Manager that you hire.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale through your franchised business only such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

You are required to sell all goods or services that we authorize, except as approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

For the duration of your franchise agreement, you may not offer competitive services in the states and territories of the United States unless you receive our prior written consent.

You are bound by a 2 year 25 mile post-term non-compete agreement that prohibits you from offering competitive services.

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ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	2	5 years.
b. Renewal or extension of the term	2	Can be renewed for successive terms if you are in compliance with your Franchise Agreement ("Agreement").
c. Requirements for franchisee to renew or extend	2	Renewing your Franchise Agreement means that you are able to continue your operations as a franchisee for an additional term. You must pay renewal fee, sign a general release of claims, notify us in writing at least 180 days before the expiration of the Agreement, and sign our then current Agreement, which may contain materially different terms and conditions than your original contract.
d. Termination by franchisee	10.1	You may terminate the Agreement by selling your franchise or if you do not renew.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	10.2, 10.3	We can terminate only if you default.
g. "Cause" defined – curable defaults	10.3	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.
h. "Cause" defined – non-curable defaults	10.2	Do not pass initial training, fail to obtain our approval of a site or open on time, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false Franchise Application, fraud, uncured default of other agreement, fail to pay suppliers an amount exceeding \$3,000 for more than 60 days; fail to permit us to inspect or audit your franchise; or commit three or more breaches within 12 months.
i. Franchisee's obligations on termination/renewal	11	Stop using our marks; deliver to us business records; pay debts due to us; cancel or assign telephone numbers; assist in lease transfer and our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious

Provision	Section In Franchise Agreement	Summary
		names; adhere to the post-term covenants not to compete or solicit; adhere to other post term duties; execute any necessary documents.
j. Assignment of contract by franchisor	14.1	We may assign to a successor in interest who remains bound by terms of Agreement.
k. "Transfer" by franchisee - defined	14.2	Includes transfer of a controlling interest in the franchisee entity, either in one singular transaction or through an aggregation of multiple transactions; transfer or sale of all or substantially all of your assets.
l. Franchisor's approval of transfer by franchisee	14.2	We have the right to approve all transfers.
m. Conditions for franchisor's approval of transfer	14.5	You must be: -current in monetary obligations; -in compliance with the Franchise Agreement; -execute any transfer, amendment, or release forms that we may require; -provide to us a copy of the proposed transfer documents; -transferee must meet our criteria; -transferee must execute our then-current Franchise Agreement; -pay to us the Transfer Fee; -transferee must satisfactorily complete our initial training program; -comply with the post-termination provisions; -transferee must obtain necessary licenses and permits; -obtain any lessor approval for transfer; -the transfer must be made in compliance with any laws that apply to the transfer; -the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation; -you must request that we provide the prospective transferee with our current franchise disclosure document.
n. Franchisor's right of first refusal to acquire franchisee's business	14.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.

Provision	Section In Franchise Agreement	Summary
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	15	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
q. Non-competition covenants during the term of the franchise	12	No competition allowed in the United States and its territories.
r. Non-competition covenants after the franchise is terminated or expires	12	No competition for 2 years within the territory, or 25 miles from the boundaries of the territory or other territory we have granted.
s. Modification of the agreement	16	No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	18	Only the terms in the franchise agreement are binding (subject to federal or state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. No claim in any franchise agreement(s) is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	19	You must first attempt to resolve claims against us through mediation. Arbitration does not apply except as to Illinois, Maryland, or Washington State franchisees and as provided in State Addenda to the franchise agreement.
v. Choice of forum	19	All claims must be brought before a court of general jurisdiction closest to our corporate office (subject to applicable state law).
w. Choice of Law	19	Virginia law governs (subject to applicable state law).

ITEM 18 PUBLIC FIGURES

We have not paid any compensation or other benefit to a public figure for the use of their endorsement or recommendation of the franchise to prospective franchisees.

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 Oanh "Tina" Dang, CEO, 7870 Tidewater Drive, Suite 201, Norfolk VA 23505 and 757-707-9000, the Federal Trade Commission and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System Wide 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	0	0
	2021	0	0	0
Company- Owned	2019	0	0	0
	2020	0	0	0
	2021	0	1	+1
Total Outlets	2019	0	0	0
	2020	0	0	0
	2021	0	1	+1

Table No. 2

Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2019 to 2021

State	Year	Number of Transfers
All States	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

Table No. 3

**Status of Franchised Outlets
For Years 2019 to 2021***

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations-Other Reasons	Franchised Stores Operating at Year End
All States	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Total	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Table No. 4

**Status of Company-Owned Outlets*
For Years 2019-2021**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Virginia	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
Total	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1

*Company outlets refers to outlets run by our affiliates, as disclosed in Item 1.

[remainder of page intentionally left blank]

Table No. 5
Projected Openings as of December 31, 2021

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	1	0
California	0	1	0
Florida	0	1	0
Georgia	0	1	0
Kansas	0	1	0
Missouri	0	1	0
Virginia	0	1	1
TOTALS	0	7	1

Exhibit E contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit F contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

ITEM 21

FINANCIAL STATEMENTS

Exhibit H contains our audited financial statements as of December 31, 2021 and October 25, 2021 as well as our unaudited Balance Sheet as of March 31, 2022 and our unaudited Profit and Loss Statement for the time period January 1, 2022 – March 31, 2022.

Our fiscal year ends December 31.

We have not been in business three years yet and so can not include all financial statements required by the Franchise Rule.

ITEM 22
CONTRACTS

The proposed agreements regarding this franchise offering are included as exhibits to this Disclosure Document as follows:

- C. Franchise Agreement
 - Schedule 1-Territory
 - Schedule 2-Automatic Bank Draft Authorization
 - Schedule 3-Telephone Number and Internet Assignment Agreement
 - Schedule 4-Lease Agreement Rider
 - Schedule 5-State Addenda to the Franchise Agreement
- D. Release

ITEM 23
RECEIPT

Exhibit J contains two copies of a Receipt of our Disclosure Document.

[remainder of page intentionally left blank]

EXHIBIT A

STATE ADDENDA TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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 FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

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

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60 day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

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.

The franchise agreement requires application of the laws of Virginia. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER

OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA 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).

Our website is located at www.tealuxcafe.com

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

The highest interest rate allowed by law in California is ten percent (10%) annually.

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

ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
5. Initial Fee Deferral- Items 5 and 7 are modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.u. is modified to also provide, “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

4. Initial Fee Deferral:

Items 5 and 7 of the Disclosure Document are modified to also provide: “Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.”

NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

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

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

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

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

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

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

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

**VIRGINIA ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is amended as follows:

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

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

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$381,567 to \$581,110. This amount exceeds the franchisor’s stockholder’s equity as of December 31, 2021, which is \$30,476.

**WISCONSIN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

EXHIBIT B

State Administrators and Agents for Service of Process

State	State Administrator	Agent for Service of Process
California	The Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Blvd. Sacramento, CA 95834 1-866-275-2677	Commissioner of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place	Maryland Securities Commissioner 200 St. Paul Place

	Baltimore, MD 21202 (410) 576-6360	Baltimore, MD 21202-2020
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 212-416-8222	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492 Phone
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section	

	P.O. Box 12887 Austin, TX 78711 (512) 475-1769	
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising, 9 th Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Washington State Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

TEALUX FRANCHISING, LLC



FRANCHISE AGREEMENT

EXHIBIT C

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Schedule 1 – Territory

Schedule 2 – Automatic Bank Draft Authorization

Schedule 3 - Telephone Number and Internet Assignment Agreement

Schedule 4 - Lease Agreement Rider

Schedule 5 – State Addenda to the Franchise Agreement

WHEREAS, Tealux Franchising, LLC d/b/a Tealux (“we,” “us,” or “our”) offers a franchise opportunity to offer a fast casual restaurant serving Boba Tea, Banh Mi, Smoothies, Vietnamese Coffee, Snack Foods, and ToFu Desserts (“System”). Our system utilizes specified marketing techniques and operating procedures; and

WHEREAS, Franchisee and all Signators identified on the signature page to this Agreement, in your personal capacity, (collectively “Franchisee,” “you,” or “your”) desire to utilize our System and our trade names, service marks, and trademarks (collectively, the “Marks”); and

NOW, THEREFORE, for value received, we and Franchisee (“the Parties”) agree as follows:

1. GRANT OF FRANCHISE

1.1 Grant of Franchise. Subject to the terms of this franchise agreement (“Agreement” or “Franchise Agreement”), we grant to you a franchise (“Franchised Business”) using our system and our Marks in the territory described in Schedule 1 (“Territory”). You agree to abide by the terms of this Agreement.

1.2 Type of Territory. This Agreement is for the following Territory type:

☐ Full Kitchen

☐ Beverage and Snacks

2. TERM AND RENEWAL

2.1. Term. This Agreement will be effective for a five (5) year term beginning on the Effective Date specified in this Agreement.

2.2 Renewal. You may renew for another term by signing our then current franchise agreement if you are in compliance with this Agreement and meet the other conditions for renewal. You may also renew future franchise agreements if you are in compliance with such agreements and meet the other conditions for renewal by signing our then current franchise agreement. To renew, you must exercise a general release of all claims that you might have against us. Other terms, conditions, and fees may vary. If you wish to renew, you must notify us in writing at least 180 days before the expiration of this Agreement.

3. TERRITORY

The territory will be for a specific geographic region that we define and approve by a geographic radius, zip codes, natural, or political boundaries as set forth on Schedule 1 to the Franchise Agreement.

We may approve relocation of the franchised business if we feel that conditions have changed such that a relocation represents a sound business decision.

We would not normally grant to you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise territory, even if there is a population increase in your territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

4. FEES AND PAYMENTS

4.1 Initial Franchise Fee. You must pay to us an initial franchise fee of \$50,000 for a Full Kitchen franchise, or \$40,000 for a Beverage and Snacks franchise.

We discount the initial franchise fee by 50% for an existing franchisee purchasing an additional territory.

We also offer a 10% discount on the initial franchise fee to an honorably discharge U.S. Veteran.

Except as disclosed above, the initial franchise fee is uniformly imposed.

The initial franchise fee is fully earned and nonrefundable upon your signing of the franchise agreement and receipt of the funds by us.

4.2 Royalty Fee. You agree to pay to us a Royalty Fee of 5% of Gross Revenues per week.

“**Gross Revenues**” is defined as all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business, excluding only sales and use taxes.

4.3 Brand Fund Contribution. You agree to pay to us a Brand Fund Contribution of 1% of Gross Revenues per week. We reserve the right to increase this amount to as much as 3% of Gross Revenues upon 30 days’ notice.

4.4 Local Advertising. You agree to spend a minimum of 2% of Gross Revenues or \$500 per month on Local Advertising, pursuant to our guidelines, which may include submission of proof of expenditures to us. Approved expenditures toward Social Media Platforms and Social Media Materials counts towards the Local Advertising expenditure requirement.

4.5 Technology Fee. You agree to pay to us a monthly Technology Fee of \$250 per month. We reserve the right to increase the Technology Fee up to \$500 per month upon 30 days’ notice.

4.6 Software Fees. You agree to pay us or any applicable third party for any software fees for the use of software that we may specify.

4.7 Conference Convention Fee. If we host an Annual Franchisee Convention, you agree to pay us our annual Convention fee in an amount up to \$1,500 whether or not you attend our annual Convention.

4.8 Transfer Fee. You agree to pay to us a Transfer Fee of 50% of the then current initial franchise fee, with a minimum of \$7,500 if you wish to transfer ownership of the rights under this Franchise Agreement, or a majority of the ownership of this Agreement or in an entity holding this Agreement. We do not charge a transfer fee if the owners of this Agreement transfer this Agreement into an entity owned by the same owners with the same ownership percentages or upon your death or disability for transfer to a spouse, parent, or child.

4.9 Renewal Fee. You agree to pay to us a Renewal Fee of \$2,500 to enter a new franchise agreement and continue your rights as a franchisee for an additional term.

4.10 Operations Manual Replacement Fee. You agree to pay to us \$500 if you request a replacement Manual.

4.11 Additional Training Fee. You agree to pay to us \$500 per person per day plus expenses incurred if you bring more than one additional person to initial training or in the event of additional training.

4.12 Relocation Fee. You agree to reimburse us for any costs and expenses we incur if you relocate your Franchised Business.

4.13 Interest. You agree to pay the lesser of 1.5% per month or the maximum amount permitted by law, if less, on any amounts owed to us that are more than 30 days past due.

4.14 Reporting Non-Compliance. You agree to pay to us \$150 per occurrence for failure to timely submit report or financial statements to us.

4.15 Operational Non-Compliance. You agree to pay us a fee of \$450 to \$1,000 per occurrence, as we specify in the Operations Manual, for failure to comply with operational standards.

4.16 Insufficient Funds Fee. You agree to pay to us \$50 per occurrence for any insufficient funds check or electronic transfer from you to us.

4.17 Reimbursement of Costs and Expenses. You agree to reimburse us for any third-party charges we may incur on your behalf. You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business.

4.18 Testing/ Inspection Fees to Approve a Supplier. You agree to pay to us \$500 plus our costs incurred if you request us to test and inspect a new product or supplier. We refund the \$500 fee to you if we approve the product/supplier for use by the entire franchise system.

4.19 Client Refunds. If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client all or a portion of the client's fees, we may pay the client directly and bill you. You agree to pay the charges.

4.20 Management Fee. You agree to pay to us 20% of Gross Revenues earned by your Franchised Business, plus our expenses, for such time period as we manage your Franchised Business for you due to death, disability, or other circumstances rendering you unable to do so.

4.21 Audit Fee. If we perform an audit of the Franchised Business and the audit discloses an under reporting of Gross Revenues or underpayment to us of 2% or more for the time period audited, you agree to pay to us our costs in performing the audit.

4.22 Post-Termination or Post-Expiration Expenses. You agree to pay to us any expenses we incur to secure or assist in your compliance with your post-termination or post-expiration duties after the termination or expiration of this Agreement.

4.23 Legal Fees and Expenses. You agree to pay to us any legal fees and expenses we incur for any failure to pay amounts when due or to comply in any way with the Franchise Agreement.

4.24 Sales, Excise or Gross Receipts Tax. If required by the federal government, state or locality in which your Franchised Business is located, products or fees may be subject to sales, excise, gross receipts or similar type tax, which you must pay to us at the same time and in the same manner as you pay underlying costs and fees to us.

4.25 Payment Period and Method. You must pay to us the Royalty and Brand Fund Contribution Fees by each Tuesday for the sales the week ending the immediately preceding Sunday.

You must pay to us all other fees when incurred. Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. See Schedule 2. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and their bank new documents to permit us to debit your bank account within three days. We reserve the right to modify the payment methods and schedule in our Operations Manual.

5. OBLIGATIONS OF FRANCHISOR

5.1. Initial Training. We provide an initial training program in Norfolk, VA or another location of our choosing.

5.2 Site Selection and Build Out.

(a) Site Selection. We provide to you criteria to help you select a site. We must approve any site you select before you sign a lease for that location. We do not select the site. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the information required by us on the proposed site.

If you do not locate a site of which we approve within 180 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time.

(b) Plans and Layout. We will furnish to you a sample site layout plan.

(c) Lease. Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement.

(d) Relocation Review. We will evaluate locations you propose to us to relocate your Franchised Business. We will typically approve or disapprove a relocation site within 14 days of

your submission to us of the information required by us on the proposed site. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

5.3 Assistance to Hire and Train Employees. We provide guidance on how to hire and train employees.

5.4 Assistance to obtain equipment, signs, and supplies. We provide guidance to obtain equipment, signs, and supplies. We provide the names of approved vendors or specifications for these items.

5.5 Operations Manual. We provide you access to our proprietary and confidential Operations Manual, as well as any other manuals and writings prepared by us for your use in operating a Franchised Business (“Manual”). We may disseminate the Manual electronically. We may revise the Manual from time to time to adjust for legal or technological changes, competition, or attempts to improve in the marketplace.

5.6 Operational Support. We provide support to you in operational problems and issues that you may encounter in the operation of your Franchised Business.

5.7 Marketing Support. We provide support and advice to you in the conduct of advertising.

5.8 Computer Hardware and Software. We may specify software and computer systems to assist in the operation of your Franchised Business.

5.9 Additional Training or Seminars. We may elect to offer and require you to attend, either live or electronically, additional training or seminars that we may offer.

6. OBLIGATIONS OF FRANCHISEE

6.1 Training. You must successfully complete our initial training within three (3) months of the Effective Date of this Agreement and before you may operate the Franchised Business.

6.2 Site Selection and Build Out.

(a) Site Selection. You must select a site for operation of your Franchised Business pursuant to our guidelines. You agree to obtain our written approval for your proposed site. You may operate the Franchised Business only at the accepted site.

(b) Buildout. It is your responsibility to conform the premises to federal, state or local ordinances, building codes, licensing requirements and obtain any required permits.

(c) Plans and Layout. You are required to submit the layout and have it approved by us. We will typically approve or disapprove a proposed layout within 14 days of your submission to us. Once approved by us, it is your responsibility to remodel the premises and install the furniture, fixtures and equipment accordingly. You agree that we have the right to inspect your buildout and require adjustments so that the buildout is in a good and workmanlike manner and conforms to the plans and layout and not open for business until we have approved of the buildout and workmanship.

(d) Lease. Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement.

(e) Relocation Review. You must obtain our approval if you wish to relocate. We will evaluate locations you propose to us to relocate your Franchised Business. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

6.3 Starting Date. You agree to be operational within six (6) months of the Effective Date of this Agreement.

6.4 Operations Manual. You agree to operate the Franchised Business according to the then current Operations Manual as well as information bulletins and guidance that we disseminate electronically.

6.5 Participation. You are not required to participate personally in the direct operation of your Franchised Business but we recommend it. You may instead hire a General Manager to run the Franchised Business day to day, but the General Manager must first successfully complete our initial training. The General Manager must also pass a background check, but is not required to have an equity interest in the franchise.

We require you to obtain a signed nondisclosure and non-competition agreement from any General Manager that you hire.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

6.6 Authorized Products and Services Only. You may offer for sale through your franchised business only such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

You are required to sell all goods or services that we authorize, except as approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

6.7 Customer Service. You shall interact with prospective and actual customers in a professional and respectful businesslike manner and diligently fulfill your obligations to them when they engage your services.

6.8 Employee Training. You shall train your employees to competently and professionally carry out their duties and offer excellent customer service. You are solely responsible for hiring,

firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

6.9 Insurance. You are required to have insurance as may be required by your state laws and as we may specify in the Operations Manual. You must name us and all our officers, directors, members and agents and others as their interest may appear on a primary, noncontributory basis as an additional insured on these policies and send proof of same to us. Certificates of insurance must be sent in upon annual expiration date.

6.10 Furniture, Fixtures, Equipment, Inventory, and Supplies. You agree to use furniture, fixtures, equipment, inventory, and supplies as we specify, which may include a vendor designation, to operate the franchise.

6.11 Computer Hardware and Software Systems. You are required to purchase or use such computer hardware and software systems to operate your Franchised Business as we may specify.

6.12 Telephone Number. You agree to maintain a dedicated telephone number for your Franchised Business.

6.13 Licenses and Permits. You must obtain such state and local business and other licenses and permits as your state and local law may require.

6.14 Brand Image and Remodeling. You agree to present your Franchised Business in a clean and well-maintained manner in order to uphold the image and goodwill of our franchise system. We may require you to remodel your business once every ten (10) years and you agree to do so pursuant to our guidelines.

6.15 Minimum Days and Hours. You agree to be open for business, at a minimum, the days and hours that we specify in the Operations Manual.

6.16 Laws and Regulations. You agree to comply with all federal, state, and local laws, and regulations. You agree to secure all necessary permits, certificates, licenses, and consents to operate your business.

7. ADVERTISING

7.1 Use of our Marks. We allow and require you to use our Marks to hold out your Franchised Business to the public. You agree to use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Operations Manual.

7.2 Advertising Guidelines and Approval. Your advertising and promotions shall conform to the following requirements:

- a) You shall advertise and promote only in a manner that will reflect favorably on us;
- b) You shall use our advertising templates or, if you wish to use your own material, you shall submit to us for written approval all advertising and promotional material, including

proposed signage and social media, prior to its use. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved.

c) You agree to participate in all promotional programs that we create, offer or advertise.

d) Your advertising must comply with federal, state, and local laws.

7.3 Grand Opening Advertising. You must spend a minimum of \$3,000 - \$5,000 pursuant to our guidelines on Grand Opening Advertising in the time from 60 days prior to opening through 90 days after opening.

7.4 Local Advertising. You must engage in Local Advertising pursuant to our guidelines and spend the sums of money we specify in Section 4 of this Agreement on Local Advertising.

7.5 Social Media. You may wish to use Social Media Platforms (defined as web based platforms such as Facebook, Twitter, LinkedIn, Snapchat, Instagram, blogs and other networking and sharing sites) or use Social Media Materials (defined as any material on any Social Media Platform that makes use of our Principal Trademarks, name, brand, products or your Franchised Business whether created by us, you or a third-party). Your approved expenditures toward Social Media Platforms and Social Media Materials will count towards your required Local Advertising expenditures.

7.6 Brand Development Fund. We maintain a Brand Development Fund ("Fund") and require you to contribute the sums of money we specify in Section 4 of this Agreement to the Fund. Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

If not all Fund fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may not use Fund fees to solicit new franchise sales but may include "Franchises Available" or similar language on all advertising placed with Fund fees.

We may conduct advertising using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located.

7.7 Entity Name Requirements. You may not use the words "Tealux" or "Tealux" or any confusingly similar words, as any part of the name of a corporation, LLC or other entity. However, "Tealux" followed by your entity number, or such other designation as we shall specify, shall be your "doing business as" name for an entity which owns this franchise, sometimes also called your "assumed name," "trading as" name, or "fictitious name."

7.8 No Confusingly Similar Marks. You agree not to use any marks that could be confused with our Marks.

7.9 Update to our Marks. We may replace, modify, or add to our Marks. If we replace, modify, or add additional marks, you agree to update or replace your supplies, etc. to reflect the new marks, at your expense, in the time frame we provide at the time of such an update.

7.10 Publicity. Except as required by law, you may not make any press release or other public announcement respecting the subject matter of this Agreement without our written consent as to the form of such press release or public announcement.

7.11 Name and Likeness. You give us permission to use your name and likeness in all forms and media for advertising, trade, and any other lawful purposes.

8. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS

8.1 Definition. “Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

8.2 Confidentiality. You will not directly or indirectly disclose, publish, disseminate or use our Confidential Information except as authorized herein. You may use our Confidential Information to perform your obligations under this Agreement, but in doing so will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information.

8.3 Return of Information. Upon termination or expiration of this Agreement, you will return to us all of our Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources that contain or reflect any such Confidential Information. Notwithstanding the foregoing, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

8.4 Customer Data. We retain all right, title, and interest in and to the Customer Data, including all intellectual property rights therein and thereto. However, you may use the Customer Data during the Term of this Agreement as permitted by this Agreement or our Manual. “Customer Data” means any and all information about Customers that may be collected in connection with their use of your franchise services, including, but not limited to, name, telephone number, address and email address. Customer Data shall be considered Confidential Information for purposes of this Agreement.

8.5 Intellectual Property Ownership. We own the Franchise system and all intellectual property associated with it. To the extent you have or later obtain any intellectual property, other property rights, or interests in the Franchise system by operation of law or otherwise, you hereby disclaim such rights or interests and will promptly assign and transfer such entire interest

exclusively to us. You will not undertake to obtain, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system.

8.6 Suggestions. You agree that we may incorporate into our business operations any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else and we shall have sole rights and title to such suggestions.

8.7 Performance Data. You agree that we may share performance data from your Franchised Business between our employees, franchisees and their employees. You agree to keep such performance data confidential.

9. REPORTS AND REVIEW

9.1 Reports. You must send us such reports in the time and manner we may specify in the Operations Manual.

9.2 Profit and Loss. By January 30 of each year, you must send us an unaudited profit and loss statement of the Franchised Business, in the manner and form we specify, for the 12-month period ending the prior December 31.

9.3 Reviews. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. This includes the right to inspect and copy all tax returns and bank statements that may show revenues from the Franchised Business. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct.

We also have the right to send “Mystery Shoppers” into your store.

9.4 Time Frame to Furnish Documents. If, as part of a review of your business operations, we request a copy of any business records related to the Franchised Business, you must send us at your expense these records within five (5) business days of receiving our request.

9.5 Independent Access to Information. You agree that we have and that you will provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information.

10. TERMINATION

10.1 Termination by You. You may terminate this Agreement by not renewing; that is by notifying us in writing of your desire to not renew at least 180 days prior to the expiration of this Agreement. If you terminate pursuant to this paragraph, you must still comply with all of the provisions of this Agreement that require performance post-termination.

10.2 Termination by Us. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

- a) If you do not pass our initial training in accordance with our passing standards;
- b) If you fail to obtain our approval of a site or open on time;
- c) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- d) If you commit a material violation of any law, ordinance, rule, or regulation of a governmental agency or department reasonably associated with the operation of the Franchised Business or if you are convicted of, or plead guilty or no contest to a felony;
- e) If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more business days, except when active operation is not reasonably possible, such as because of a natural disaster;
- f) If you include a materially false representation or omission of fact in your Confidential Franchise Application to us;
- g) If you or your principals commit any fraud or misrepresentation in the operation of the Franchised Business;
- h) If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, and fail to cure such breach within any permitted period for cure;
- i) You fail to pay suppliers an amount exceeding \$3,000 for more than 60 days;
- j) You fail to permit us to inspect or audit your franchise; or
- k) If you commit three or more breaches of this Agreement, the Operations Manual, or any other agreement with us, in any 12-month period regardless of whether such breaches were cured after notice.

10.3 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and an opportunity to cure within thirty (30) days, if:

- a) You violate any other term or condition of this Agreement, the Operations Manual, or any other agreement with us; or
- b) Any amount owing to us from you is more than 30 days past due.

10.4 No Refund of Initial Fee. We have no obligation to return or refund any fee to you upon termination of this Agreement.

11. POST TERMINATION OBLIGATIONS

If this Agreement expires, is not renewed, or is terminated for any reason by any party, including a sale of the Franchised Business, you must immediately:

- a) Stop identifying yourself as a franchisee of ours and discontinue using any of our Marks or any marks which are likely to be confused with our Marks;
- b) Deliver to us the original and all copies, both paper and electronic, of the business records of your Franchised Business (retaining only such copies as you need for legal or tax purposes);
- c) Pay to us all amounts owing to us;
- d) At our request, cancel or assign to us all telephone numbers under your ownership used in the Franchised Business;
- e) Reimburse customers for any fees paid for services not yet rendered;
- f) At our option, and upon our request, use your best efforts to assist in our taking over the lease of the location of your Franchised Business, whether it be through a new lease or assignment;
- g) At our option, offer to us the right to purchase your props, equipment, signage, and supplies within 30 days of the date of termination for the adjusted book value, which is the undepreciated book value of the assets on your most recently filed federal tax return prior to the date of the termination or expiration;
- h) Deliver to us any paper and electronic copies of the Operations Manual and any Confidential Information;
- i) Cancel all fictitious name or other listings which you have filed for use of any of the Marks;
- j) Adhere to the provisions of the post-term covenants not to compete and not to solicit;
- k) Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee; and
- l) Execute, from time to time, any necessary papers, documents, and assurances to effectuate the intent of this Section 11.

12. NON-COMPETE AND NO SOLICITATION.

12.1 Non-Compete.

- a) **In-Term.** You will not, during the Term of this Agreement, in the United States or its Territories, directly or indirectly, offer a fast casual restaurant serving Boba Tea, Banh Mi, Smoothies, Vietnamese Coffee, or ToFu Desserts, for a fee or charge, except in the provision of such services through the Franchised Business.

- b) **Post-Term.** You will not, for a period of two years after expiration or termination of this Agreement, or a sale or assignment of the Franchised Business, in the Territory or within 25 miles of the boundaries of the Territory or another Territory franchised by us and in operation at that time, directly or indirectly, for a fee or charge, offer a fast casual restaurant serving Boba Tea, Banh Mi, Smoothies, Vietnamese Coffee, or ToFu Desserts.

12.2 No Solicitation of Customers. You will not, for a period of two years after expiration or termination of this Agreement, in the Territory or within fifty (50) miles of the boundaries of the Territory, directly or indirectly solicit the patronage of any client served by your prior Franchised Business during the last 24 months that you were a franchisee, or such shorter time as you were a franchisee, for the purpose of offering such person or entity, for a fee or charge, a fast casual restaurant serving Boba Tea, Banh Mi, Smoothies, Vietnamese Coffee, or ToFu Desserts.

12.3 Waiver of Bond. You agree that if we bring suit to enforce Sections 11, 12.1, or 12.2 above, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

12.4 Severability. If any covenant or provision of Section 12.1 or 12.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

13. ADDITIONAL IN-TERM AND POST-TERM COVENANTS

13.1 Maintenance of Goodwill. You agree not to disparage us or our current and former employees, agents, members, or directors. During the term of this Agreement, you agree not to do any act harmful, prejudicial, or injurious to us.

13.2 Independent Contractor. You and we are independent contractors to each other. Neither you nor we is an agent, fiduciary, partner, employee, or a participant in a joint venture, and neither you nor we has the authority to hold out as such to third parties. You do not have any authority to bind or obligate us. We are not and will not be liable for any act, omission, debt, or other obligation of yours.

13.3 Indemnity. You are responsible for all loss or damage and for all contractual liability to third parties originating in or in connection with the operation of the Franchised Business and for all claims or demands for damage directly or indirectly related. You agree to defend, indemnify, and hold harmless us and our employees, officers, directors, and members with respect to any such claim, loss, or damage, including our costs and attorney fees.

14. TRANSFER

14.1 Assignment by Us. We may assign this Agreement to an assignee who agrees to remain bound by its terms. We do not permit a sub-license of the Agreement.

14.2 Transfer by You. You may transfer this Franchise Agreement, any interest under this Agreement, or substantially all the assets of the Franchised Business only if we approve, and you comply with the provisions in this Section 14. A transfer includes the transfer of a controlling interest in the franchisee entity, either in one singular transaction or through an aggregation of multiple transactions; or a transfer or sale of all or substantially all of your assets. We shall not unreasonably withhold approval. If this Agreement is held by joint tenants or tenants in common, all joint tenants or tenants in common must join in any transfer of an ownership interest in this Agreement, except any person who is deceased or under a legal disability.

14.3 Transfer to a Controlled Entity. A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a Controlled Entity shall not trigger the Right of First Refusal, described in Section 14.6 below. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. We do not charge a transfer fee for this change.

14.4 Transfer within an Entity. A transfer of interest within an entity shall not trigger the Right of First Refusal described in Section 14.6 below if only the percentage ownership, rather than the identity of the owners, is changing. Prior to the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity shall sign the then current amendment and release forms and/or Franchise Agreement as required by us, and you shall pay to us the applicable transfer fee specified in Section 4 above.

14.5 Conditions for Approval of Transfer. We may condition our approval of any proposed sale or transfer of the franchised business or of your interest in this Agreement upon satisfaction of the following occurrences:

14.5.1 You are current in all monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;

14.5.2 You are in full compliance with this Agreement;

14.5.3 You execute any transfer, amendment, or release forms that we may require;

14.5.4 You or the transferee will provide to us a copy of the proposed documents as we may request to evidence the transfer;

For a transfer under Section 14.2 above, the following conditions also apply:

14.5.5 The transferee must be approved by us and demonstrate to our satisfaction that s/he meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement;

14.5.6 The transferee must execute our then-current Franchise Agreement;

14.5.7 You or the transferee must pay to us the Transfer Fee specified in Section 4 above;

14.5.8 The transferee must satisfactorily complete our initial training program at the transferee's expense within the time frame we establish;

14.5.9 You must comply with the post-termination provisions of this Agreement;

14.5.10 The transferee must obtain within the time limits set by us and maintain thereafter, all permits and licenses required for operation of the Franchised Business;

14.5.11 To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

14.5.12 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

14.5.13 The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation and performance under its franchise agreement;

14.5.14 You must request that we provide the prospective transferee with our current franchise disclosure document;

14.5.15 Our approval of the transfer will not constitute a waiver of any claims we may have against the transferring party;

14.5.16 We will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning the Franchised Business as you have supplied us hereunder; and

14.5.17 In any event, we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.

14.6 Right of First Refusal. If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Franchise Agreement, any interest in it, or substantially all the assets of the Franchised Business, you shall grant us the option (the "Right of First Refusal") to purchase the Franchised Business as provided here:

- a) Within fourteen (14) days of receipt of the offer, you shall offer the Right of First Refusal to us by notice in writing, including a copy of the signed offer to purchase which you received (“Notice”). We shall have the right to purchase the Franchised Business or interest in the Franchised Business at and for the price and upon the terms set out in the Notice, except that we may substitute cash for any non-cash form of payment proposed and we shall have 60 days after the exercise of our Right of First Refusal to close the said purchase. Should we wish to exercise our Right of First Refusal, we will notify you in writing within 15 days from its receipt of the Notice. Upon the giving of such notice by us, there shall immediately arise between us and you, or its owners, a binding contract of purchase and sale at the price and upon the terms contained in the Notice.
- b) If we do not exercise our Rights of First Refusal, you may transfer the Franchised Business or ownership interest therein according to the terms set forth in the Notice, provided that you satisfy the conditions in Section 14.5 above and complete the sale within 90 days from the day on which we received the Notice. If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us shall continue in full force and effect.

15. DEATH OR INCAPACITY

In the event of your death or incapacity, you, or your estate, as the case may be, must actively begin the process to seek a transfer of your rights under this Agreement within 60 days and must complete the transfer within 6 months of your death or incapacity. If you or your estate fails in either respect, then we may terminate this Agreement. The new Franchisee must pay the transfer fee specified above, meet our qualifications, complete initial training, and enter into a new Franchise Agreement.

The term “incapacity” means a condition that prevents you from reasonably carrying out your duties under this Agreement.

Management Fee- And you or your estate agrees to pay us the Management Fee specified in Section 4.20 above if we undertake to manage your franchised business due to your death or incapacity from the date of your death or incapacity until transfer or termination.

16. MODIFICATION

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Manual, without your consent, as discussed in Section 5.

17. NON-WAIVER OF BREACH

The failure of either party to enforce any one or more of the terms or conditions of this Agreement shall not be deemed a waiver of such terms or conditions or of either party's rights thereafter to enforce each and every term and condition of this Agreement.

18. FULL UNDERSTANDING

This Agreement, including the schedules, is the entire agreement between the parties. This Agreement supersedes all other prior oral and written agreements and understandings between you and us with respect to the subject matter of this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document we furnished to you.

19. GOVERNING LAW

19.1 Choice of Law. Except as to claims governed by federal law, Virginia law governs all claims that in any way relates to or arises out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

19.2 Jurisdiction and Venue. You and we agree that venue and jurisdiction for any Claims shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Norfolk, Virginia. However, if you are an Illinois, Maryland, or Washington State resident or your franchise territory is located in Illinois, Maryland, or Washington State, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

19.3 Jury Waiver. In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

19.4 Class Action Waiver. You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

19.5 Punitive Damages Waiver. As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

19.6 Limitation of Actions. You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

19.7 Prior Notice of Claims. As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

19.8 Internal Dispute Resolution. You must first bring any Claim to our CEO, after providing notice as set forth in Section 19.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

19.9 Mediation. Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our

headquarters are located. If we can not mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”), and split any AAA and mediator fees equally.

19.10 Waiver of bond. You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

19.11 Attorney Fees. If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

19.12 Third Party Beneficiaries. Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries of the terms of the Governing Law provisions contained herein.

19.13 Survival. All of the covenants contained in this Agreement that may require performance after the termination or expirations of this Agreement will survive any termination or expiration of this Agreement.

19.14 Severability Clause. If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision of this Agreement.

20. RELEASE OF PRIOR CLAIMS

By executing this Agreement, the undersigned entity, if any, and individuals, on behalf of yourselves and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever releases and discharges us, our past and present employees, agents, members, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other claims relating to any dealings between any of the parties. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

21. NOTICES

You shall give any required notice or request in writing by mail or courier, postage fully prepaid, delivered personally, or by facsimile, to our CEO, at our corporate office, presently 7870 Tidewater Drive, #201, Norfolk, VA 23505. Telephone: 757-707-9000. We may also give any such notice to you in the same manner at the address indicated below your signature on this Agreement, such other more current address as we may have for you, or by e-mail.

22. ACKNOWLEDGMENTS

You acknowledge that you have read our Franchise Disclosure Document and this Agreement and that you are familiar with their contents. You acknowledge that you have independently investigated the

business offered hereunder and base your decision to purchase solely on such investigation. You acknowledge that we have recommended, and that you have had the opportunity to obtain, review of this Agreement and our Franchise Disclosure Document (“FDD”) by your lawyer, accountant or other business advisor prior to execution. Except as may be stated in Item 19 of our Franchise Disclosure Document, you acknowledge that no person is authorized to make and no person has made any representations to you as to the actual, projected or potential sales, volumes, revenues, profits or success of our franchise. You further acknowledge and agree that you are not a third party beneficiary to any agreement between us and any other franchisee.

23. GUARANTY

The Franchisee named at the top of the following page agrees to abide by the terms of this Agreement. The signature of an individual or individuals as sole proprietors, joint tenants, or tenants in common constitutes their personal agreement to such terms. The signature of an individual or individuals on behalf of an entity constitutes the entity’s agreement to such terms.

In addition, the signatures of all individuals below, in any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligations stated in **Paragraphs 11-13 above**, the obligation to make specified payments, and pay any other debts due to us. All Signators below waive any right to presentment, demand, notice of non-performance, or the right to require us to proceed against the other Signators.

Franchisee: _____ Entity Number: _____

Type: _____ (Sole Proprietor, LLC, Corp., Joint Tenants with Right of Survivorship ("JTROS"), Tenants in Common, Partnership).*

SIGNATORS:

By: _____ By: _____
(Signature) (Signature)

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

Ownership Percent: _____ % (see note below) Ownership Percent: _____ % (see note below)

By: _____ By: _____
(Signature) (Signature)

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

Ownership Percent: _____ % (see note below) Ownership Percent: _____ % (see note below)

Tealux Franchising, LLC

By: _____ Effective Date: _____
Oanh "Tina" Dang, Member

***Joint Tenants with Right of Survivorship is typically for married couples and must be owned equally by each tenant, 50-50 for two owners, and if one spouse passes away, the other automatically receives the decedent's share. Tenants in common is normally for non-spouses and if one passes away, his or her share passes by will or state law to his or her heirs.**

**SCHEDULE 1 TO THE FRANCHISE AGREEMENT
TERRITORY**

Your Territory shall be as follows:

SCHEDULE 2 TO THE FRANCHISE AGREEMENT

AUTOMATIC BANK DRAFT AUTHORIZATION

ACH Origination Authorization

Please complete the following with your banking information and attach a voided check:

Company Name: _____

Name of Financial Institution: _____

Address of Financial Institution: _____

Routing Number: _____

Account Number: _____

I hereby authorize Tealux Franchising, LLC and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either Tealux Franchising, LLC or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

Signature: _____

Printed Name of Person Signing: _____

Title (if any): _____

Application Date: _____

Telephone Number: _____

Applicant's Address: _____

SCHEDULE 3 TO THE FRANCHISE AGREEMENT

TELEPHONE NUMBER & INTERNET ASSIGNMENT AGREEMENT

THIS TELEPHONE NUMBER & INTERNET ASSIGNMENT AGREEMENT is made between Tealux Franchising, LLC ("Franchisor," "we," "us," or "our") and the franchisee named below ("Franchisee," "you" or "your").

The parties are entering into one or more Franchise Agreements. For value received, Franchisee hereby irrevocably assigns to Franchisor all listings associated with the Tealux Suite franchise, including all telephone numbers, telephone listings, email addresses, domain names, social media accounts, Internet listings, websites, and comparable electronic identities used in connection with the Marks or the operation of the Franchise Business covered by the Agreement, whether now-existing or adopted by Franchisee in the future, (collectively "Listings").

As a condition to signing the Franchise Agreement(s), we have required that you assign all of your Listings relating to the Tealux Franchise(s) to us upon the expiration or termination of any of the Franchise Agreements.

Franchisee agrees to update us as soon as possible of any listings adopted by Franchisee. Franchisee agrees to pay all amounts pertaining to the use of the Listings incurred by it when due. Upon expiration or termination of the Agreement for any reason, Franchisee's right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and to immediately at Franchisor's request, (i) take any other action as may be necessary to transfer the Listings and numbers to Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website or advertising, whether published or online.

Franchisee agrees that Franchisor may require that all telephone numbers and telephone and internet equipment and service must be owned or provided by Franchisor or a supplier approved by Franchisor and that Franchisor has the right to require Franchisee to "port" or transfer to Franchisor or an approved call routing and tracking vendor all phone numbers associated with the Franchised Business or published in any print or online directory, advertisement, marketing or promotion associated with the Marks.

Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings covered by the Assignment to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the forgoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such numbers, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration,

cancellation or termination of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located. All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All our rights inure to our benefit and to the benefit of our successors and assigns.

FRANCHISEE:

FRANCHISOR:

Tealux Franchising, LLC

By:_____

By:_____

Oanh "Tina" Dang, CEO

By:_____

Date:_____

SCHEDULE 4 TO THE FRANCHISE AGREEMENT
LEASE AGREEMENT RIDER

Landlord	
Landlord Name:	
Landlord Address:	
Landlord Phone Number:	

Franchisor	
Franchisor Name:	Tealux Franchising, LLC
Franchisor Address:	7870 Tidewater Drive, #201, Norfolk, VA 23505
Franchisor Phone Number:	757-707-9000

Tenant	
Tenant Name:	
Address of Leased Premises:	
Date of Lease:	

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Tealux business (or any name authorized by Franchisor).

2. Notice of Default and Opportunity To Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease, subject to Landlord’s approval in its reasonable discretion. To exercise this option, Franchisor must notify Landlord within 10 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Landlord and Tenant consent to allow Franchisor to assume any existing term of the Lease (the “Assumption”), provided that any and all defaults have been cured and all payments due under the Lease are current, and to enter into a written agreement providing for such Assumption. In the event of an Assumption, Landlord will deliver possession of the Leased Premises to Franchisor free and clear of any rights of the Tenant or any third party. Landlord further consents to give Franchisor the right, following the Assumption, to assign its interest in the Lease or to sublet the Leased Premises to another franchisee of Franchisor with reasonable consent from the Landlord.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Lease Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of Franchisor's brand, subject to Landlord's approval in its reasonable discretion.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises within 10 days of such expiration or termination, to take any such actions as may be consistent with its rights under this Lease Agreement Rider or to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

LANDLORD:

By: _____
Name: _____
Title: _____

TENANT:

By: _____
Name: _____
Title: _____

FRANCHISOR:

Tealux Franchising, LLC

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE 5 TO THE FRANCHISE AGREEMENT

STATE ADDENDA TO THE FRANCHISE AGREEMENT

CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Sections 10.2 and 10.3 are deleted and in their place are substituted the following:

10.2 Termination by Us Without Right to Cure. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 10.3 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

10.3 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and a 60 day opportunity to cure, for any other breach of this Agreement.

Section 19.6 of the Franchise Agreement, titled “Limitation of Actions,” is hereby deleted.

FRANCHISEE:

FRANCHISOR:

Tealux Franchising, LLC

By:_____

By:_____

Oanh “Tina” Dang, CEO

By: _____

Date: _____

**ILLINOIS ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

5. Initial Fee Deferral- The Franchise Agreement is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

FRANCHISEE:

FRANCHISOR:

Tealux Franchising, LLC

By:_____

By:_____

Oanh "Tina" Dang, CEO

By:_____

Date:_____

**MARYLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

3. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. Initial Fee Deferral:

The franchise agreement is modified to also provide: "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement."

FRANCHISEE:

FRANCHISOR:

Tealux Franchising, LLC

By:_____

By:_____

Oanh "Tina" Dang, CEO

By:_____

Date:_____

**WISCONSIN ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

FRANCHISEE:

FRANCHISOR:

Tealux Franchising, LLC

By:_____

By:_____

Oanh "Tina" Dang, CEO

By:_____

Date:_____

EXHIBIT D
RELEASE

THIS RELEASE is made and given by _____,
("Releasor") with reference to the following facts:

1. Releasor and Tealux Franchising, LLC (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

_____ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

_____ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

_____ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

_____ [insert description]

3. Release- Franchisee and all of Franchisee's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act.

Franchisee:

Tealux Franchising, LLC

By:_____

By:_____

Oanh “Tina” Dang, President

Printed Name:_____

Date:_____

Title:_____

EXHIBIT E

CURRENT FRANCHISEES

The following is a list of the names of all Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

Operational Outlets (as of December 31, 2021):

None

Franchise Agreement Signed But Outlet Not Yet Open (as of December 31, 2021):

None

EXHIBIT F

FORMER FRANCHISEES

The following is a list of Franchisees who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None

EXHIBIT G

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EXHIBIT H

Financial Statements

The following statement applies to the unaudited portion of the financial statements which follows:

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Tealux Franchising, LLC

Balance Sheet As of March 31, 2022

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	\$61,604.51
Other Current Assets	
Intercompany Asset	0.00
I/C Lotus Miracle	37,000.00
Total Intercompany Asset	37,000.00
Total Other Current Assets	\$37,000.00
Total Current Assets	\$98,604.51
TOTAL ASSETS	\$98,604.51
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
I/C Miracle Beauty	100,000.00
Other Current Liabilities	7,500.00
Total Other Current Liabilities	\$107,500.00
Total Current Liabilities	\$107,500.00
Total Liabilities	\$107,500.00
Equity	
Opening balance equity	976.21
Owner draws	-98,000.00
Owner investments	100,000.00
Retained Earnings	-7,523.79
Net Income	-4,347.91
Total Equity	\$ -8,895.49
TOTAL LIABILITIES AND EQUITY	\$98,604.51

Tealux Franchising, LLC

Profit and Loss

January - March, 2022

	TOTAL
Income	
Total Income	
GROSS PROFIT	\$0.00
Expenses	
Advertising & marketing	4,350.00
Total Expenses	\$4,350.00
NET OPERATING INCOME	\$ -4,350.00
Other Income	
Other income	0.00
Interest earned	2.09
Total Other income	2.09
Total Other Income	\$2.09
NET OTHER INCOME	\$2.09
NET INCOME	\$ -4,347.91

Tealux Franchising, LLC

**Independent Auditor's Report
And
Financial Statements**

For the period from October 25, 2021 to December 31, 2021

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Metwally CPA PLLC

CERTIFIED PUBLIC ACCOUNTANT

6245 RUFÉ SNOW DR Ste 280 PMB 34 Watauga TX 76148

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

Independent Auditor's Report

To the members of
Tealux Franchising, LLC
7870 TIDEWATER DR STE 201
NORFOLK, VA 23505

Opinion

We have audited the accompanying financial statements of Tealux Franchising, LLC (a Virginia Limited Liability Company), which comprise the balance sheets as of December 31, 2021, and the related statements of income, changes in members' equity, and cash flows for the period from October 25, 2021 to December 31, 2021, 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 Tealux Franchising, LLC as of December 31, 2021, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Tealux Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial 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 Tealux Franchising, LLC'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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 Tealux Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tealux Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

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

Metwally CPA PLLC

Metwally CPA PLLC
Watauga TX
April 26, 2022

Tealux Franchising, LLC
Statement Of Balance Sheet
December 31, 2021

	2021
ASSETS	
Current assets	
Cash and cash equivalents	\$ 976
Accounts Receivable - Related parties	37,000
Total current assets	<u>37,976</u>
Total Assets	<u>\$ 37,976</u>
LIABILITIES AND MEMBERS' EQUITY	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 7,500
Total current liabilities	<u>7,500</u>
Total Liabilities	<u>7,500</u>
Members' Equity	
Members' Equity	38,000
Retained earnings (Losses)	(7,524)
Total Members' Equity	<u>30,476</u>
Total Liabilities and Members' Equity	<u>\$ 37,976</u>

Tealux Franchising, LLC
Statement Of Income
For the period from October 25, 2021 to December 31, 2021

	2021
Revenue	
Franchise Fees	\$ -
Total Revenues	<u>-</u>
Gross Profit	<u>-</u>
Operating expense	
General and Administrative	24
Legal and Professional	7,500
Total Operating expense	<u>7,524</u>
Net Income (loss)	<u>\$ (7,524)</u>

Tealux Franchising, LLC
Statement Of Members' Equity
For the period from October 25, 2021 to December 31, 2021

	2021
Members' Equity beginning of the year	\$ -
Members' contributions	100,000
Members' distribution	(62,000)
Net income (loss)	(7,524)
Members' Equity end of the year	<u>\$ 30,476</u>

Tealux Franchising, LLC
Statement Of Cash Flows
For the period from October 25, 2021 to December 31, 2021

	2021
Operating activities:	
Net income / (loss)	\$ (7,524)
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in Accounts Receivable Related Parties	(37,000)
Change in accrued accounts payable	7,500
Net cash (used in) operating activities	(37,024)
Investing activities	
Net cash flows provided by (used in) investing activities	-
Financing activities	
Members' contribution	100,000
Members' distribution	(62,000)
Net cash flows provided by financing activities	38,000
Net change in cash and cash equivalent during the year	976
Cash and cash equivalent - beginning of the year	-
Cash and cash equivalent - end of the year	\$ 976

Tealux Franchising, LLC

December 31, 2021

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

A. Nature of Operations

Tealux Franchising LLC (the "Company") was established in the state of Virginia on September 29, 2021, for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own Tea, beverage, and food shop business, as a franchise. The company offers individual unit franchises and area development franchises for the development of multiple units within a designated territory.

B. Basis of Accounting

Assets, liabilities, revenues, and expenses are recognized on the Accrual basis of accounting.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include bank accounts and cash in transit for bank deposit.

D. Accounts Receivable

Accounts Receivable arise primarily from Franchise Fee income and Royalty income and are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. The company assesses the collectability of all receivables on an ongoing basis by considering its expected historical loss experience, current economic conditions, and other relevant factors.

E. Federal Income Taxes

Federal income taxes are not payable by, or provided for, the Partnership. Partners are taxed individually on their share of Partnership earnings. Partnership's net revenue is allocated on a pro-rata basis in accordance with Partnership interests to the partners after allowing for partner guaranteed payments.

F. Use of estimates

The preparation of our Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs and expenses during the reporting period. Actual results could differ significantly from those estimates. Significant estimates include our provisions for bad debts, franchisee rescissions and refunds, and legal estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

G. Advertising Costs

The Company expenses the costs of general advertising, promotion, and marketing programs at the time the costs are incurred

H. Revenue Recognition

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay a monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period of time using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

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Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

Contract Assets and Liabilities

Contract assets will consist of franchise contract costs paid to facilitate the franchise sale and will be amortized over the expected life of the franchisee. Contract liabilities consist of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Contract liabilities are a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

The company didn't generate any revenue as of the balance sheet date but will be implementing ASC 606 to recognize its revenue once a sale has been made.

2. CASH AND CASH EQUIVALENT

Cash consists of an initiate business checking account maintained at one financial institution. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2021, the Company's cash balance doesn't exceed the FDIC insurance limits.

The Company considers all cash in bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Tealux Franchising, LLC has approximately \$976 in cash at their operating bank account.

3. DUE FROM RELATED PARTIES

Lotus Miracle, LLC a has common ownership with this Company, and does not offer franchises in this or any other line of business. The company had a loan receivable to this affiliate in the amount of \$37,000 as of December 31, 2021.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2022, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements other than disclosed above.

Tealux Franchising LLC

10/25/2021

**Independent Auditor's Report
And
Balance Sheet Statement**

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Metwally CPA PLLC

CERTIFIED PUBLIC ACCOUNTANT

6245 RUFÉ SNOW DR Ste 280 PMB 34 Watauga TX 76148

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

Independent Auditor's Report

October 28, 2021

Owners/Partners

Tealux Franchising LLC

7870 TIDEWATER DR STE 201

NORFOLK, VA 23505

Report on the Financial Statements

We have audited the accompanying Balance Sheet of Tealux Franchising LLC (the Company) as of October 25, 2021, and the related notes to the Balance Sheet Statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

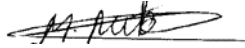
Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement. 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 statement.

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 statement referred to above present fairly, in all material respects, the financial position of Tealux Franchising LLC as of October 25, 2021, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'M. Metwally', with a horizontal line drawn underneath it.

Metwally CPA PLLC
Mohamed Metwally, CPA
Watauga TX
10/28/2021

Tealux Franchising LLC
October 25, 2021

Balance Sheet

Current Assets

Cash and cash equivalents	100,000
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<i>Total Current Assets</i>	<u>100,000</u>
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Liabilities and Members' Equity

Members' Equity	100,000
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Total Liabilities and Stockholder Equity	<u>100,000</u>
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The accompanying notes are an integral part of the financial statements.

Tealux Franchising LLC

October 25, 2021

Notes to Financial Statements

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Tealux Franchising LLC (the "Company") was established in the state of Virginia on September 29, 2021, for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own Tea, beverage, and food shop business, as a franchise. The company offers individual unit franchises and area development franchises for the development of multiple units within a designated territory.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include Partnership bank accounts and cash in transit for bank deposit.

Federal Income Taxes

Federal income taxes are not payable by, or provided for, the Partnership. Partners are taxed individually on their share of Partnership earnings. Partnership's net revenue is allocated on a pro-rata basis in accordance with Partnership interests to the partners after allowing for partner guaranteed payments.

Use of estimates

The preparation of our Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs and expenses during the reporting period. Actual results could differ significantly from those estimates. Significant estimates include our provisions for bad debts, franchisee rescissions and refunds, legal estimates, stock-based compensation, and the valuation allowance on deferred income tax assets. It is at least reasonably possible that a change in the estimates will occur in the near term.

Debt

The entity accounts for debt as current if the debt is due within one year of the balance sheet date or is cancelable or callable. The company accounts for debt as noncurrent if the obligation does not expire or is due within one year.

Revenue Recognition

At inception, the Company adopted Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606"). Revenue is recognized when performance obligations under the terms of the contracts with our customers are satisfied. Prior to the adoption of ASC 606, the Company recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured. The Company generates revenues by selling franchise licenses, which include an initial fee generally collected upfront, and royalties which are generally collected as earned.

3. SUBSEQUENT EVENTS AND GOING CONCERN

The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence. Tealux Franchising LLC has no liabilities, commitments, or contingencies. The company's owners have guaranteed the ongoing operation of the company for the next twelve months.

Management has evaluated subsequent events through the date of the Independent Auditor's Report, and there are no items that require disclosure to fairly present the financial position of the Management.

EXHIBIT I
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	Pending
Illinois	June 7, 2022
Maryland	Pending
North Carolina	April 29, 2022
Virginia	June 6, 2022
Wisconsin	April 27, 2022

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

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

If Tealux Franchising, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is Tealux Franchising, LLC located at 7870 Tidewater Drive, #201, Norfolk, VA 23505. Its telephone number is 757-707-9000.

Issuance Date: April 26, 2022

The franchise seller for this offering is:

X	Oanh "Tina" Dang, 7870 Tidewater Drive, #201, Norfolk, VA 23505; 757-707-9000
X	Nghi "Tiffany" La, 7870 Tidewater Drive, #201, Norfolk, VA 23505; 609-432-3508

We authorize the respective state agencies identified in Exhibit B to receive service of process for us in the particular state.

I have received a disclosure document dated April 26, 2022 that included the following Exhibits:

- A. State Addenda to the Disclosure Document
- B. List of State Administrators and Registered Agents
- C. Franchise Agreement
 - Schedule 1-Territory
 - Schedule 2-Automatic Bank Draft Authorization
 - Schedule 3-Telephone Number and Internet Assignment Agreement
 - Schedule 4-Lease Agreement Rider

Schedule 5—State Addenda to the Franchise Agreement

- D. Release
- E. List of Current Franchisees
- F. List of Former Franchisees
- G. Table of Contents of Operations Manual
- H. Financial Statements
- I. State Effective Dates
- J. Receipts

PROSPECTIVE FRANCHISEE:

Date you received this Disclosure Document

If an individual:

If a business entity:

Name of Business Entity

Signature

By: _____
Signature

Printed Name

Printed Name/Title

Address

Address

(Telephone number)

(Telephone number)

Please sign, date, and retain this copy for your records.

EXHIBIT J RECEIPT

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

If Tealux Franchising, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

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- H. Financial Statements
- I. State Effective Dates
- J. Receipts

PROSPECTIVE FRANCHISEE:

Date you received this Disclosure Document

If an individual:

If a business entity:

Name of Business Entity

By:

Signature

Signature

Printed Name

Printed Name/Title

Address

Address

(Telephone number)

(Telephone number)

Please sign, date, and return this copy to us.