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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Lishen Yen a/k/a Li-Shen Yen
Q-Taste International, Inc.
dba Q-Taste and Q-Cup
1934 Junction Avenue
San Jose, California 95131

Li-shen Yen a/k/a Lishen Yen
Y's Alliance, Inc.
Dba Q-Taste International and Q-Cup
1261 Birchwood Drive
Sunnyvale, California 94089

DESIST AND REFRAIN ORDER

(For violations of section 31110 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times, Lishen Yen, aka Li-Shen Yen, was president of Q-Taste International, Inc., a California corporation, located at 1934 Junction Avenue, San Jose, California, 95131. At all relevant times, Li-Shen Yen, aka Lishen Yen, was president of Y's Alliance, Inc., a California corporation, located at 1261 Birchwood Drive, Sunnyvale, 94089. Q-Taste International, Inc. and Y's Alliance, Inc. are engaged in business activities relating to the franchising of Q-Taste and Q-Cup restaurants, which are restaurants offering tea-based drinks and a variety of food.

2. Beginning in or about October 2001, Lishen Yen, Y's Alliance, Inc., and Q-Taste International, Inc. began selling franchises to California residents. Y's Alliance, Inc. has never been registered to offer or sell franchises under the Franchise Investment Law, and is not exempted under Chapter 1, beginning with Corporations Code section 31100. Q-Taste International, Inc. filed its

1 initial franchise application with the Department of Corporations on July 21, 2003. Prior to that date,
2 the offer or sale of franchises by Q-Taste International, Inc. in California was not registered under the
3 Franchise Investment Law and was not exempted under Chapter 1, beginning with Corporations
4 Code section 31100.

5
6 3. Prior to the July 21, 2003 franchise application for Q-Taste International, Inc., Lishen Yen,
7 Y's Alliance, Inc., and Q-Taste International, Inc. sold six franchises to California residents in
8 violation of Corporations Code section 31110.

9
10 Based upon the foregoing findings, the California Corporations Commissioner is of the
11 opinion that Lishen Yen, Y's Alliance, Inc., and Q-Taste International, Inc. sold franchises in
12 California that were subject to registration under the Franchise Investment Law without first being
13 registered, in violation of Corporations Code section 31110. Pursuant to section 31402 of the
14 Corporations Code, Lishen Yen, Y's Alliance, Inc., and Q-Taste International, Inc. are hereby
15 ordered to desist and refrain from the further offer or sale of Q-Taste or Q-Cup franchises unless and
16 until the offers have been duly registered under the Franchise Investment Law.

17
18 This Order is necessary, in the public interest, for the protection of investors and consistent
19 with the purposes, policies and provisions of the Franchise Investment Law.

20
21 Dated: April 18, 2005
22 Sacramento, California

23 WAYNE STRUMPFER
24 Acting California Corporations Commissioner

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26 By _____
27 ALAN S. WEINGER
28 Acting Deputy Commissioner
Enforcement Division

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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Q-Taste International, Inc.
Db a Q-Taste and Q-Cup
1934 Junction Avenue
San Jose, California 95131

File No. 995-3425

ORDER REVOKING EFFECTIVENESS
OF FRANCHISE REGISTRATION
(Corporations Code section 31115)

The registration of the offer and sale of franchises filed by Q-Taste International, Inc. on April 20, 2004 is hereby revoked until further order of the California Corporations Commissioner.

Dated: April 18, 2005
Sacramento, California

WAYNE STRUMPFER
Acting California Corporations Commissioner

By _____
ALAN S. WEINGER
Acting Deputy Commissioner
Enforcement Division

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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Q-Taste International, Inc. File No. 995-3425
Db a Q-Taste and Q-Cup
1934 Junction Avenue
San Jose, California 95131

STATEMENT IN SUPPORT OF ORDER REVOKING
EFFECTIVENESS OF FRANCHISE REGISTRATION

(Corporations Code section 31117)

The California Corporations Commissioner finds that:

1. Q-Taste International, Inc. is a California corporation that incorporated on April 23, 2003. Its principal business address is 1934 Junction Avenue, San Jose, California, 95131. Q-Taste International, Inc. is engaged in business activities relating to the franchising of Q-Taste and Q-Cup restaurants, which are restaurants offering tea-based drinks and a variety of food. Lishen Yen, aka Li-Shen Yen, is the president of Q-Taste International, Inc.

2. Y's Alliance, Inc. is a California corporation that incorporated on May 8, 2000. Its principal business address is 1261 Birchwood Drive, Sunnyvale, California, 94089. Y's Alliance,

1 Inc. is engaged in business activities relating to the franchising of Q-Cup restaurants. Li-Shen Yen,
2 aka Lishen Yen, is the president of Y's Alliance, Inc.

3
4 3. On July 21, 2003, Q-Taste International, Inc. filed its initial franchise registration
5 application with the Department of Corporations. Prior to July 21, 2003, neither Q-Taste
6 International, Inc. nor Y's Alliance, Inc. were registered to offer or sell franchises under the
7 Franchise Investment Law, and neither corporation was exempt from registration. On April 20, 2004,
8 Q-Taste International filed an application for renewal of franchise registration with the Department of
9 Corporations.

10
11 4. Prior to July 21, 2003, Q-Taste International, Inc. and its affiliated company, Y's Alliance,
12 Inc., sold six franchises to individual purchasers who are California residents in violation of
13 Corporations Code section 31110.

14
15 5. Q-Taste International, Inc. and Y's Alliance, Inc. sold the six franchises to individual
16 purchasers by means of written and oral communications which included untrue statements of
17 material fact and omitted to state material facts necessary in order to make the statements made, in
18 light of the circumstances they were made, not misleading under Corporations Code section 31201.
19 The franchise purchasers were not told that the franchises offered and sold were not registered in
20 accordance with California law.

21
22 6. In addition, the following representations and omissions to the unregistered franchisees of
23 Q-Taste International, Inc. constituted violations of Corporations Code section 31201:

24
25 a) The representation that Q-Taste International, Inc. would provide training that
26 would teach the franchisee the entire system of the franchise, including operational and management
27 training in the area of human resources, tax and accounting, insurance, and inventory control. Once
28

1 the franchises were purchased, Q-Taste International did not assist the new owners in the manner
2 promised.

3
4 b) The representation that Q-Taste International, Inc. would provide assistance with
5 marketing and advertising for the franchisee. Once the franchises were purchased, Q-Taste
6 International, Inc. did not provide adequate assistance to the new owners in the manner promised.

7
8 c) The failure of Q-Taste International, Inc. and Y's Alliance, Inc. to provide the
9 franchisees with the offering circular as required by Corporations Code section 31119.

10
11 7. On July 21, 2003, Q-Taste International, Inc. filed a Notice of Violation pursuant to
12 Corporations Code section 31303. The Notice of Violation stated that Q-Taste International, Inc.'s
13 affiliated company, Y's Alliance, Inc., had sold four franchises for the operation of Q-Cup restaurants
14 in violation of Corporations Code section 31110, and that the four franchisees did not receive the
15 offering circular as required by Corporations Code section 31119. The Notice of Violation did not
16 include two additional sales of unregistered franchises sold by Q-Taste International, Inc. to
17 individual purchasers who are California residents in violation of Corporations Code section 31110.
18 Q-Taste International, Inc. also failed to provide these two franchisees with the offering circular as
19 required by Corporations Code section 31119.

20
21 8. Q-Taste International, Inc. failed to notify the California Corporations Commissioner in
22 writing, by an application to amend the registration, that it sold unregistered franchises in violation of
23 Corporations Code sections 31123 and 31200.

24
25 Based upon the foregoing findings, the California Corporations Commissioner is of the
26 opinion that Q-Taste International, Inc. failed to comply with certain provisions of the Franchise
27 Investment Law within the meaning of Corporations Code section 31115(a) and that the sale of the
28

1 franchise would constitute misrepresentation to, or deceit or fraud of the purchasers within the
2 meaning of Corporations Code section 31115(b).

3

4 For this reason, the California Corporations Commissioner has determined that an order
5 should be issued pursuant to Corporations Code section 31115(a) and (b) to revoke the effectiveness
6 of the franchise registration of Q-Taste International, Inc.

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8 Dated: April 18, 2005
9 Sacramento, California

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WAYNE STRUMPFER
Acting California Corporations Commissioner

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By _____
KAREN DENVIR
Corporations Counsel
Enforcement Division

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