

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

STATE OF CALIFORNIA
BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT

TO: Quickly Corporation
25011 Viking Street
Hayward, CA 94545

DESIST AND REFRAIN ORDER
(For violations of section 31110 of the Corporations Code)

The Commissioner of Business Oversight finds that:

1. At all relevant times, Quickly Corporation (“Quickly”) was and is a California corporation using a business address 25011 Viking Street, Hayward, California, and a website located on the Internet at www.quicklyusa.com.
2. At all relevant times, Quickly was and is engaged in the bubble tea business selling tapioca and milk tea, and offers for sale a “Trademark License Program” under which retailers enter a “Trademark Licensing and Product Use Agreement” and/or a “Trademark Agreement” (“Agreement”) to operate a Quickly store or sell Quickly products. Pursuant to the Agreement, retailers are granted the right to engage in the business of offering, selling or distributing the trade named Quickly products under a marketing plan or system prescribed in substantial part by Quickly for fees and other charges.
3. Fees that Quickly charges its retailers include but are not limited to a “consulting fee” and/or a fee for an “initial training program” of \$2,000, an “initial set-up fee” and/or an “initial licensing fee”, and/or a “Trademark licensing fee” ranging from \$9,000 to \$15,000 and/or a “Trademark” fee of \$4,000, and a “Renewal Licensing Trademark Fee of \$3,000. In addition, retailers agree to purchase ingredients and materials through Quickly, and may purchase or may be required to purchase soft goods such as napkins, plates and food containers bearing the Quickly

1 marks. Prices contain a 20-30% mark-up and retailers may be subjected to liquidated damages in the
2 case of food containers not bought from Quickly ranging from \$500 to \$2,000 per violation. Under
3 the Trademark Agreement, retailers are also charged late fees and interest on delinquent payments.

4 4. Retailers are told they should join the Quickly family as Quickly is the biggest chain store
5 of tapioca and milk tea in the world with technical knowhow, and that it “will provide training to the
6 franchise store so that the store can meet the requirements of simplification, standardization and
7 professionalism.” In addition, retailers are told that “strict quality control ensures consistent quality
8 and tastes” and that Quickly evaluates “strictly to ensure business protection within the range of up to
9 one mile”.

10 5. Under the Trademark Agreement, retailers also agree that the success of the Quickly mark
11 “depends on maintaining high quality products, services and standards of appearance” and to operate
12 their stores “in accordance with Quickly Outlets System and Operation Manual.” Retailers are
13 required to pay a fine as liquidated damages for any deviation from the standards ranging from \$500
14 to \$2,000 per violation. In addition, retailers are required to purchase not just products and
15 ingredients from Quickly but all other “necessary facilities”. Retailers must allow Quickly
16 representatives on store premises and grant full access to ensure they are being operated in
17 accordance with standards. If inspections reveal non-conforming operations, the costs of the
18 inspections are borne by the retailers.

19 6. Retailers are told that following “receipt of the Franchise Fee”, but prior to commencement
20 of the store, Quickly shall provide retailers copies of the confidential Operations Manual. Retailers
21 agree that “the materials contained in the Operations Manual are integral and material elements” of
22 the Agreement and they must conduct all activities “in strict accordance with the operational methods
23 and procedures as prescribed...”

24 7. The Trademark licensing fee of \$9,000 and/or the Trademark fee of \$4,000 include a one-
25 time food & beverage preparation training and/or operation training for up to two persons and
26 retailers are told the fees represent their right to use the Quickly marks in the development and
27 operation of the stores. Retailers are told the fees allow for use of the trademark for the next two
28 years and include corporate advertising, posters, flags and more. There is an additional training fee

1 of \$800 per person. Retailers are told that Quickly will arrange for operation staff to have 6-10 days
2 of intensive training in the main store and that an instructor will provide three days of instruction in
3 the store the day before its opening. After the store's opening, Quickly will provide periodical
4 operational training. Retailers are also provided marketing and promotion proposals.

5 8. Retailers are told that monthly sales revenue is set between \$15,000-\$65,000 based on
6 operation conditions, managerial competence, store location and operation principles. While retailers
7 look for the store location, Quickly sends representatives to evaluate the location which retailers are
8 told should be between 1000-3000 square feet.

9 9. Quickly provides retailers with standard plans and specifications for a prototypical Quickly
10 store. Any deviation from the prototyped store and space plans must be submitted to Quickly for
11 review and approval.

12 10. Quickly also offers retailers advice and assistance at the retailer's discretion and assists in
13 inspecting and testing its equipment, selection of décor, inventory ordering and preparation, and in
14 the initial operation of the Quickly store. Retailers are also told that Quickly provides a number of
15 other services including store operation management (including forms, employee management,
16 kitchen, beverage preparation manual and raw material management) marketing and opening
17 promotion suggestions, inspection of the store on a regular basis from Quickly instructors and new
18 product information. However, if a retailer refuses inspections, Quickly may terminate the
19 Agreement.

20 11. The offer and/or sale of franchises by Quickly Corporation in California have not been
21 registered under the Franchise Investment Law and are not exempted under Chapter 1, beginning
22 with Corporations Code section 31100, of that law.

23 Based upon the foregoing findings, the Commissioner of Business Oversight is of the opinion
24 that Quickly Corporation is offering and/or selling Quickly franchises in California that are subject to
25 registration under the Franchise Investment Law without the offers first being registered in violation
26 of Corporations Code section 31110. Pursuant to section 31402 of the Corporations Code, Quickly
27 Corporation is hereby ordered to desist and refrain from the further offer or sale of Quickly franchises
28 unless and until the offers have been duly registered under the Franchise Investment Law.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

Dated: January 20, 2016
Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division