FRANCHISE DISCLOSURE DOCUMENT

Taiwan Street Snacks Franchise, Inc.
A California corporation
522 Barber Lane, Milpitas, CA 95035
(408) 763-3813
CA@shihlinsnacks.com
www.shihlinsnacks.com

The franchise is for a retail food establishment under the name "Shihlin Taiwan Street Snacks" offering fried chicken and Taiwanese street food. The total investment necessary to begin operations of a Shihlin Taiwan Street Snacks franchise is between $167,800 and $854,550. This includes $40,000 that must be paid to the franchisor or affiliate as an initial franchise fee.

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

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available for 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: June 15, 2023

How to Use This Franchise Disclosure Document

Here are some questions that 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 Exhibits E and G.
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 A 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 Shihlin business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Shihlin restaurant franchisee?	Item 20 or Exhibits E and G lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to 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 C.

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.

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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 California. 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 California than in your own state.

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.

TABLE OF CONTENTS

ITEM 1
THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language, this disclosure document uses "we" or "us" to mean Taiwan Street Snacks Franchise Inc., the franchisor. "You" means the individual, corporation, or other entity that buys a Shihlin Taiwan Street Snacks franchise. We will refer to our brand as "Shihlin" in this document.

U.S. Franchisor and Affiliate

We conduct our business under the name Taiwan Street Snacks Franchise Inc. ("TSSFI"). Our principal business address is 522 Barber Lane, Milpitas, California 95035. We are a California corporation that was incorporated on July 27, 2016 and began offering Shihlin franchises for the first time in any state with this disclosure document. We do not conduct business under any other name.

We have no parent company, affiliates or predecessors.

We operate under a master franchise license with The STSS Company Pte Ltd. to offer these Shihlin franchises in our development area, the State of California. Our master franchise agreement is dated August 17, 2016 and has an initial term of eight years and is renewable by us for an additional 5 years, subject to certain conditions. If we grant you a franchise, your contractual relationship will be with us. The STSS Company Pte Ltd. does not sign and is not a party to the agreements we make with our franchisees.

Agent for Service of Process

Our agents for service of process are listed in Exhibit C.

Prior Experience

We were formed in 2016 and we have owned and operated a Shihlin restaurant since 2016. We have offered franchises since 2019. We do not offer franchises in any other line of business or under any other name.

The Master Franchisor

The STSS Company Pte Ltd. ("STSS" or "Master Franchisor") is a Singapore corporation incorporated on April 6, 2003. STSS's principal office is located at 10 Anson Road #11-03, International Plaza, Singapore 079903. STSS offers a subfranchise for qualified persons to operate as its subfranchisors (like TSSFI) within certain geographic markets, and first started offering subfranchise opportunities in 2004. You are not being offered a subfranchise. STSS has never offered unit franchises in the United States like the one you are being offered the opportunity to open.

STSS has two affiliates which are relevant to this franchise offer.

The Shihlin system and the trademarks belong to STSS Global IP LLP ("STSS IP"), an affiliate of STSS, which has licensed the trademarks to STSS as described in Item 13 of this Disclosure Document.

STSS' other affiliate is STSS Integrated Pte Ltd. ("STSS Integrated"). This company supplies food and packaging material to various franchisees of STSS around the world. STSS Integrated also supplies food and packaging in the United States and will be one of the suppliers for food and packaging for your franchise.

The Business We Offer

Your Shihlin restaurant will offer popular Taiwanese style snacks including XXL crispy chicken, handmade oysters mee sua, braised meat rice and seafood tempura. Your customers will be the general public.

A Shihlin restaurant is primarily a quick-service restaurant, with a walk-up counter at which orders are placed and a limited number of tables allowing diners to eat in the restaurant. Our shops are primarily for take-out and generally do not offer delivery.

The market for fried chicken and Taiwanese street food is fully developed. Your competitors include other fast food and fast casual restaurants, especially those specializing in fried chicken, other Asian style restaurants, and both national chains and local restaurants.

Applicable Regulations

You must comply with federal, state and local health and safety requirements concerning food handling, kitchen cleanliness, sanitary conditions, menu labeling and nutrition disclosure requirements. There are licensing requirements associated with offering prepared food with which you must comply in order to open your business.

In some areas, local laws require that food for take-out is packaged in recyclable or biodegradable packaging, and you will be required to comply with local packaging requirements.

ITEM 2
BUSINESS EXPERIENCE

TSSFI - Subfranchisor

Jen-Chung "Jason" Shiao: CEO

Mr. Shiao has been the CEO of TSSFI since July 27, 2016. Prior to this, he was an Engineering Director of Cadence Design Systems, Inc. in San Jose, California from August 1993 to July 2016.

Keith Chin: Secretary

Mr. Chin has been the Secretary of TSSFI since August 16, 2016. Prior to that, he was the General Manager of Maxford Technology in Santa Clara, California from February 2013 to August 2014.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5
INITIAL FEES

You must pay an initial franchise fee in the lump sum of $40,000 when you sign a franchise agreement for a Shihlin restaurant. In some circumstances, we may agree to delay collection of this amount until six months after your Shihlin restaurant is open for business.

If you sign an Area Development Agreement in which you agree to open more than one Shihlin restaurant, you will receive a discount of 10% off the initial franchise fee for each additional location after the first.

This fee may be used by us for any purpose, in our sole discretion. It is deemed fully earned on receipt by us, and is non-refundable for any reason.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty	6% of gross revenue or $500, whichever is greater in a calendar month	Payable monthly, no later than the 10^{th} of the month (Note 1)	Payable by electronic funds transfer
Advertising Fund	1% of gross revenue or $200, whichever is greater in a calendar month	Payable monthly, no later than the 10^{th} of the month (Note 1)	Payable by electronic funds transfer
Additional Training (Note 2)	Up to $500 per training, plus any travel costs incurred by the trainer(s)	Before Training	Payable by electronic funds transfer

Retraining (Note 3)	$3,000 per trainee, per week	Before Training	Payable by electronic funds transfer; Incurred if your location has material violations or very poor performance and we elect that you must receive all or the majority of initial training again, or if you need to have a new manager receive initial training
Additional Manager Training (Note 4)	$2,000 to $4,000	Before Training	Payable by electronic funds transfer; this covers up to two managers' initial training
Product Purchases	Varies	Upon demand	Payable by electronic funds transfer
Delivery fee (Note 5)	$200 - $1,000 per shipment	Upon demand	Payable by electronic funds transfer; Actual cost of delivery.
Audit	Cost of audit, plus maximum legal interest on late payments	At conclusion of audit	This fee is only charged if our audit reveals that you have underreported and underpaid your monthly obligations to us by 2% or more.
Transfer (Note 6)	Then-current initial franchise fee	Prior to transfer	This fee is only charged if you transfer your interest to a new owner.
Interest	Lesser of 1% per month (12% per year) or maximum rate allowed by law	As incurred	
Renewal	One-third of then-current initial franchise fee	Prior to renewal	You must be in good standing in order to qualify for renewal.
Insurance	Amount of unpaid premium	Payable only if you fail to purchase or maintain insurance	
Promotional Materials	Cost to produce materials, including reasonable fees for overhead, shipping, handling and storage charges	As incurred	
Insufficient Funds Fee	$200	Upon demand	This is payable to us only if your account has insufficient funds for any payment owed to us.
Supplier Evaluation	$500 to $2,500	Prior to evaluation	Actual cost depends on what kind of testing is necessary.

Indemnification (Note 7)	Amount of our cost due to your negligence or wrongly act	Upon demand	

All fees imposed are uniform and are non-refundable, except as otherwise stated.

Note 1: We have authority to change the payment schedule to a weekly schedule. If we do that, all payments will be due on Wednesday of each week for the prior week's royalties. If we change to a weekly schedule, the minimum payments will be $115 for royalties per week and $45 for advertising fund contributions per week. All payments made to us are payable electronically, by bank draft. We will require you to sign paperwork permitting us to draw amounts agreed on under the franchise agreement from your designated bank account.

Note 2: For training you or your managers on any new procedures, we will send a trainer to your location, but you must pay the reasonable expenses for that visit. This does not apply to retraining if you are not complying with our requirements or training new managers who require initial training.

Note 3: In addition to the fee you pay to us, you must also pay for travel expenses, lodging and your own meals and any wages of your employee(s) to be retrained.

Note 4: We offer initial training to one franchisee owner and one manager at no additional cost beyond the initial franchise fee. If you choose to bring more managers to training, or if your trained manager leaves and you need to send a new manager or managers to initial training, you will pay $2,000 per week for up to two additional managers.

Note 5: We will charge you our actual cost of delivering items which you purchase from us. Depending on how far away you are and what you order, the cost of shipment will vary. We have based our estimate on a shipment of a week's worth of supplies and assumed that you have a location relatively near a highway with reasonable access.

Note 6: In addition to paying the transfer fee, any transfer of your interest during the term of this agreement requires our agreement and approval of the proposed transferee.

Note 7: You are responsible for paying any costs we incur as a result of your breach of the franchise agreement. Under our master franchise agreement with STSS, STSS can fine us $10,000 per day if you (1) do not comply with operational requirements which compromise the quality and reputation of the brand; or (2) purchase food, beverage or packaging materials from any unapproved supplier. In the event that we are fined for your non-compliance, you are required to pay the fine in full. This fee is payable to us even if we also terminate your agreement as a result of the default.

ITEM 7
ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial franchise fee	$40,000	Lump sum	At signing of franchise agreement	TSSFI
Rent & Lease deposit (Note 1)	$5,600 - $67,200	As incurred	At signing of lease (deposit) and then monthly	Landlord
Utility Deposits (Note 2)	$200 to $5,000	As incurred	Before Opening	Utility Companies
Construction and leasehold improvements (Note 3)	$25,000 - $400,000	As incurred	Prior to opening	Third party vendors
Hood (Note 4)	$15,000 - $75,000	Lump sum	Prior to opening	Third party vendors
Kitchen equipment (Note 5)	$0 - $40,000	As incurred	Prior to opening	Us and some third party vendors
Sign (Note 6)	$3,000 - $10,000	Lump sum	Prior to opening	Third party vendors
POS Cash Register	$4,000 - $6,000	Lump sum	Prior to opening	Third party vendors
Restaurant back office software	$2,000 - $4,500	Lump sum	Prior to opening	Third party vendors
Wi-Fi Equipment (Note 7)	$250 to $350	Lump sum	Prior to opening	Third party vendors
Water filtration (Note 8)	$300 – $1,000	Lump sum	Prior to opening	Third party vendors
Opening Inventory (Note 9)	$15,000 - $25,000	As incurred	As incurred	TSSFI
Product Shipping Costs (Note 10)	$450 to $2,000	As incurred	As incurred	TSSFI
Business License (Note 11)	$1,000-$3,000	As incurred	Prior to opening	Municipality

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Travel and Living Expenses While Training (Note 12)	$1,000-$5,000	As incurred	Prior to Training	Airline, hotel, restaurant
Insurance	$2,000 - $10,000	As incurred	Prior to opening	Insurance Company
Opening Advertising (Note 13)	$4,500	As incurred	Prior to opening	Third party vendors
Professional Advisor (Note 14)	$1,000 - $2,000	As incurred	Prior to opening	Third party vendors
Décor and furniture (Note 15)	$2,500 - $10,000	Lump sum	Prior to opening	Third party vendors
Additional funds (3 months) (Note 16)	$45,000 - $144,000	As incurred	As incurred	Landlord, third party vendors, employees
TOTAL	**$167,800 - $854,550**			

Note 1: This estimate is based on a 400 – 1,200 square foot space, with rent ranging from $2.00/square foot to $8.00/square foot. We have estimated a one month security deposit and six total months of rent. If you lease a larger space, put down a larger deposit, pay more for your space than our estimate, or have a longer construction timeline than three months, your costs may exceed our estimate. Your rate may also vary based on your credit score.

Note 2: This estimate includes all of your estimated deposits for utilities, including gas, electric, and water. Utility deposits can vary greatly between regions, and we encourage you to identify and call the utility providers in the area(s) in which you are considering establishing your business to determine your likely costs and the terms applicable to these payments.

Note 3: This estimate assumes that the premises you lease is already configured for a commercial kitchen, and only requires you to configure the space to our specifications and add a grease trap and other plumbing work, electrical panel work, finish walls and ceilings. This estimate is based on the price for non-union labor, and also includes an estimated cost for an architect or interior designer. We do not discourage you from using unionized labor, but using unionized labor can increase your costs.

Note 4: The cost of the hood and of installing it are reflected in this estimate. You cost will depend space constraints at your premises and the size of the hood you purchase.

Note 5: Most franchisees will incur costs to purchase kitchen equipment including fryers, refrigerators, freezers, a food warmer, cooking utensils and tools, countertops and other basic kitchen equipment. If you lease a space which used to operate as a different restaurant, you may be able to obtain some or all of the kitchen equipment at no additional cost.

Note 6: We require you to have an exterior sign with backlit characters. This estimate reflects the cost for one sign. If you lease a corner space and have two signs, or if you decide to put up monument signage in addition to the sign at your premises, your costs will exceed this estimate.

Note 7: You must purchase wi-fi equipment, consisting of a DSL modem and router, and sign up for monthly internet service sufficient to permit customers to access the internet from your restaurant. This estimate assumes monthly Internet Service Provider fees of $40 - $60 per month, plus $150 worth of equipment.

Note 8: Your Shihlin location will use filtered water for ice and drinks. Your costs will depend on the water quality in your area.

Note 9: This estimate includes the costs of all of your opening inventory of raw food materials, packaging, paper goods and other inventory items which will be used over time.

Note 10: We will charge you our cost of shipping food and packaging products which you purchase from us. This estimate is for delivery of a supply of initial inventory. Depending on how far away from our warehouse(s) you are, you may be able to pick items up yourself, or we will have to ship them to you. The farther away from us you are, the higher your shipping costs may be. If your location is particularly far away or difficult to access, your costs could exceed this estimate. Our warehouses are located in the Bay Area of California.

Note 11: You should anticipate needing to have a business license, health department license and food management license. The price of licenses and the number and type of licenses you will need to operate a restaurant business vary by jurisdiction. You should check your city, county and state laws to determine what licenses you will need and confirm what they will cost.

Note 12: Depending on how close you and your employees live to our training locations in the Bay Area, you will incur varying travel expenses to attend training which may include transportation and lodging. You will be responsible for the cost of your meals during training and the wages you pay to your employees during training.

Note 13: You are required to engage in grand opening advertising. This expense will be incurred over the first three months of your operation after you are open for business.

Note 14: We recommend that you consult with professional advisors, including an attorney to discuss the offer presented in this Disclosure Document, and an accountant who can advise you about developing a business plan, financial projections for your operation, and bookkeeping.

Note 15: Your costs for décor will vary depending on the size of your premises.

Note 16: This estimate includes the additional amount of money you should budget to cover your costs during the first three months of your operation of the business. This estimate covers a variety of expenses, but a large portion of these expenses are labor costs. Our minimum estimate assumes you have one cashier and two cooks during the week, and two cashiers and three cooks on Saturdays and Sundays, with you as the owner working one of these shifts. Our maximum estimate assumes you have two cashiers and three cooks during the week, and three cashiers and four cooks on the weekend, and assumes you will not work as either a cashier or cook. Both estimates assume you will pay minimum wage and that you will hire and train a sufficient number of workers so you do not pay overtime. You should carefully evaluate wages, taxes and other expenses in your geographic location to help determine your likely costs.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You must purchase most of your food, seasonings, flour, syrups, drink mixes, food packaging, containers, uniforms and food preparation equipment pursuant to our specifications in the operations manual and from our approved suppliers.

Required and Approved Suppliers

We require you to buy specific foodstuffs from us, including a wide variety of seasonings, sauces and flour, as well as certain food packaging and uniforms. STSS is our supplier for all of the food items, but you will order items through us.

We also require you to purchase syrups, drink mixes and food containers either through us or from certain approved, third party suppliers, as we direct.

In the future, we may also provide meat and other processed food products.

Approval of Alternate Suppliers

From time to time, we may approve other suppliers whose products meet our criteria. If you would like to purchase from an alternate supplier you may make a request to us to consider another vendor. We will require information about the specific goods you would like to purchase as well as about the vendor's products, pricing, payment and delivery policies, and other information. In addition, we will require one or more samples, sufficient for us to evaluate whether the product meets our criteria. For food items, we may require several samples for testing. We will charge a fee for this evaluation ranging from $500 to $1,500, depending on the complexity of evaluating the request and the product. After you have provided the information we require in order to evaluate the request and paid the fee, we will provide a response within 30 days.

We will not consider requests to use alternate suppliers to order proprietary food items which we order from STSS.

Standards and Specifications

Our Operations Manual contains a list of the items which you must purchase from approved suppliers. We may change this list from time to time and we will provide you with an updated version each time it changes. For items which you may buy from third parties other than us and STSS, we will provide a reasonable statement of the standards or specifications of such items.

Revenue from Franchisee Purchases

In 2022, we earned $33,462.63 from franchisee purchases. This is 7.8% of our total 2022 revenue of $4,310,357.

The purchase of food products from us and from our approved suppliers will represent approximately 60% of your initial purchases, and approximately 60% of your ongoing purchases while operating your Shihlin restaurant.

Cooperatives

We do not have any purchasing or distribution cooperatives.

Negotiated Prices

We have no currently negotiated prices, but intend to negotiate discounts. We reserve the right to collect rebates from vendors.

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 in this disclosure document.

	OBLIGATION	SECTION IN AGREEMENT	Disclosure Document Item
a.	Site selection & acquisition/lease	§3.8 - §3.9	Item 11
b.	Pre-opening purchases/leases	§3.1, §3.10, §3.14	Items 7 & 8
c.	Site development & other pre-opening requirements	§3.8 - §3.9, §3.19	Items 7 & 11
d.	Initial & ongoing training	§4.1 - §4.2	Item 11
e.	Opening	§3.10	Item 11
f.	Fees	§3.1 - §3.7	Items 5 & 6
g.	Compliance with standards & policies/operating manual	§3.9 - §3.13	Items 8 & 11
h.	Trademark & proprietary information	§1.2	Items 13 & 14
i.	Restrictions on products/services offered	§3.9, §3.13	Items 8 & 16
j.	Warranty & customer service requirements	None	Not Applicable

	OBLIGATION	SECTION IN AGREEMENT	Disclosure Document Item
k.	Territorial development & sales quotas	None	Item 12
l.	Ongoing product/service purchases	§3.10	Item 8
m.	Maintenance, appearance & remodeling requirements	§3.9	Item 11
n.	Insurance	§3.17	Items 7 & 8
o.	Advertising	§3.4	Items 6 & 11
p.	Indemnification	§3.16	Not Applicable
q.	Owner's participation management/staffing	§3.10€	Item 15
r.	Records/reports	§3.20	Not Applicable
s.	Inspections/audits	§3.20 - §3.21	Item 6
t.	Transfer	Article 6	Item 17
u.	Renewal	§2.3	Item 17
v.	Post termination obligations	§5.3	Item 17
w.	Noncompetition covenant	§3.10, §5.3, §6.1	Items 12 & 17
x.	Dispute resolution	§7.11	Item 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, neither TSSFI nor STSS is required to provide you with any assistance.

Pre-Opening Assistance

Before you open the business, we will:

1. Identify your protected territory.

2. Provide you with tips regarding the type of location which is successful as a Shihlin location, and approve a location you request. We will provide you with our approval or refusal of a proposed site within 14 days of your written request. We are not responsible for identifying potential locations for you, nor will we recommend a commercial real estate broker.

3. Provide you with the Shihlin design packet for the renovation or remodeling of your Shihlin restaurant. You will need to hire your own designer or architect to adapt our required look to fit your space, but we will review your plans before construction starts and conduct a

walk through or review detailed photographs (depending on your location's distance from our headquarters) before you open.

4. Provide training for you in how to follow our Shihlin restaurant system of business operations, how to prepare our standard menu items and how to order new inventory and supplies.

5. Assist you in ordering signs, fixtures, and opening inventory materials and food.

6. Provide recommendations for your grand opening advertising, including proposed materials for your use and suggestions for the roll out of this advertising.

Post-Opening Assistance

During the operation of the business within the term of the Agreement, we will:

1. Periodically develop advertising materials and provide those to you for use in the local advertising of your Shihlin restaurant.

2. Maintain the company website which will include a link to a site-specific page for your Restaurant. We will update the site-specific page for your Restaurant with information you provide, although we have final approval for what information is included on this page.

3. Establish suggested menu pricing.

4. Advise you regarding operational issues and business matters. We do not, however, provide employment advice or any guidance regarding hiring, firing or employee discipline. We strongly encourage you to identify experienced employment counsel to assist you with certain personnel matters related to operating your Restaurant.

5. We may, but are not required to, hold an annual convention for the Shihlin brand.

Advertising

We provide certain advertising materials and advertising support to you through our national advertising program. Specifically, we provide the following services and support:

1. We design and maintain the Shihlin Taiwan Street Snacks website for California.

2. We design certain other marketing materials, including layouts for takeout menus, posters, banners, business cards, and other materials that can be used in your Shihlin restaurant.

We administer the Advertising Fund, including the maintenance of the U.S. website and the production, in our discretion, of some marketing materials which you may use to promote your Shihlin restaurant. We may use up to 15% of the contributions to the Advertising Fund for administrative purposes. We do not use any Advertising Fund contributions to promote or sell franchises.

You are not required to use our suggested marketing materials, but you must provide us with a copy of any other proposed marketing materials you would like to use. We will have seven (7) days to review and approve or disapprove your proposed marketing materials.

In addition to your contribution to the Advertising Fund, you are required to spend at least 1% on Local Advertising for your Shihlin restaurant. We require you to report to use periodically about your use of these funds. You may satisfy this requirement by any type of marketing or promotional efforts for your Restaurant which we approve in our Operations Manual. Currently, approved forms of local advertising include paper advertisements, social media pages, and promotional discounts.

We do not have any regional advertising cooperatives, although we reserve the right to form them in the future. If we form a regional advertising cooperative in your area, we have the right to require you to join it. If this happens, your Local Advertising requirement will become an obligation to contribute at the same rate to the regional cooperative. Every participating franchisee will have one vote per restaurant in the cooperative.

Computer Requirements

We require you to use a Point of Sale (POS) system approved by us in your Shihlin restaurant. The POS system will calculate and track your sales, keep a tally of the items you have sold, and assist you with ordering in the correct quantities to restock your business. We will require you to provide us with sales reports generated by your POS system.

The cost of purchasing a POS system is $3,000 - $5,000. You will also be required to pay an ongoing subscription cost for access to the software. This cost is currently $100 per month, payable to the vendor. You will pay the vendor’s required costs to maintain access to the POS software. Provided that you use the POS system properly, there should be no maintenance costs associated with it other than this monthly subscription fee, unless there is a software upgrade. At present, we are not aware of any pending software upgrades that would add to the cost stated here.

We will have access to your POS system data at all times and without prior notice to you.

Operation Manual

We will loan you a copy of the operation manual that contains mandatory and suggested specifications, our proprietary recipes, and other information about the Shihlin Taiwan Street Snacks System. This manual is confidential and remains our property. You will be required to restrict access to the manual and ensure that your employees do not copy it or disclose its contents, except as authorized. We will modify the manual from time to time, but the modifications will not alter your status and rights under the Franchise Agreement. The Table of Contents for the Operation Manual is attached as Exhibit H.

TRAINING PROGRAM

Day	Subject	Hours of Classroom Training	Hours of Training On the Job	Location
1	Orientation, corporate operations, restaurant management, operations, introduction to restaurant equipment, product development, and marketing	0	2 hours	Note 1
1-2	Management and operations, personnel, restaurant front training, inventory control, customer service Maintenance	0	2 hours	Note 1
2	Introduction to the restaurant front environment, equipment operations, food preparation process, counter top operation, kitchen operation	0	2 hours	Note 1
2-3	Front counter operation Introduction	0	2 hours	Note 1
3	Front counter operation (Part 1)	0	14 hours	Note 1
3-5	Front counter operation (Part 2)	0	14 hours	Note 1
5	Kitchen operation Introduction	0	4 hours	Note 1
5	Kitchen operation (Part 1)	0	36 hour	Note 1
5	Kitchen operation (Part 2)	0	36 hour	Note 1
5	Other	0	8 hours	Note 1

	TOTAL	N/A	120 hours	

Note 1: We currently train franchisees in one of our corporate-owned locations in the Bay Area, California: Depending on the availability and convenience of our training centers, you may be required to attend training in any of these locations.

We offer initial training for each franchisee and one other manager. The person who is designated as the on-site manager of the Restaurant must attend this training. We charge you $1,000 per person per week for this initial training, and you must pay for your and your employees' travel and living expenses, in addition to any wages for your employees who attend.

If you need to have us train new staff in the future, or if you want to bring another person to the initial training, we charge $2,000 per week for up to two (2) trainees. We will also offer new product training, annual refresher training, and training upon contract renewal or in the event that your Restaurant is deemed non-performing by us, in our sole discretion. If we determine that new training is mandatory for you, you must pay for training at the rate above. In addition, you will be responsible for your employees' travel and living expenses, in addition to any wages for your employees who attend.

The trainings are conducted as needed. For initial training, you and any employees must complete training the earlier of 60 calendar days after executing the franchise agreement or 15 calendar says before the Restaurant is open for business.

Our training program is administered by members of our team who have at one year of experience with the Shihlin Taiwan Street Snacks system, and two years as a restaurant operator.

ITEM 12
TERRITORY

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

You will receive a protected territory generally consisting of a minimum of 6,000 households. The precise size is determined based on density of the area in which your Shihlin restaurant is situated. It will be identified by a metes and bounds description which we determine prior to your signing the franchise agreement.

Except as described below, we will not grant permission for any other Shihlin restaurant to be established within your protected territory. We will not modify the size of your protected territory without your permission. You must have our approval before siting your Restaurant, and you must obtain our permission to relocate.

We reserve the right to place a Shihlin restaurant into a Non-Traditional Location, if one exists within your protected territory. We define a Non-Traditional Location as an airport, sports arena or stadium, a convention center, or a designated food court in a shopping mall. If a Non-Traditional Location falls within your protected territory, we have the right to establish or license another party to establish a Shihlin restaurant in that Non-Traditional location.

We or other related businesses have the right to sell products bearing the Shihlin Taiwan Street Snacks logo and trademarks within your protected territory through alternate channels of trade, including sales of packaged food products or non-food goods over the internet, in grocery stores and farmers' markets, through catalogs or direct sale advertising. In the future, we have the right to offer food trucks, and we reserve the right to permit food trucks bearing the Shihlin Taiwan Street Snacks logo and trademarks to enter your protected area to sell food.

You do not receive the right to establish additional franchises within your protected territory unless you sign a new franchise agreement.

ITEM 13
TRADEMARKS

We grant you the right to operate a restaurant under the name "Shihlin Taiwan Street Snacks" using our design mark. You may also use our other current or future trademarks to operate your restaurant, provided that we include them in our operation manual as marks approved for your use.

The master franchisor owns the following trademark, registered on the United States Patent & Trademark Office's Principal Register:

Trademark	Status	Registration Number
台灣小吃 士林 Shihlin Taiwan Street Snacks	Registered, Principal Register July 14, 2009	3,653,618

At this time, there are no pending infringement, opposition or cancellation proceedings or material litigation involving any of the principal marks which are relevant to their use in any state.

You must notify us if you become aware of any unauthorized use of the marks or an imitation of the marks, or if litigation involving the marks is instituted or threatened against you, and cooperate with us in responding to the litigation or threat of litigation.

We intend to take all steps reasonably necessary to preserve and protect the ownership and validity of the trademarks. We will defend and indemnify you in the event a claim against you for your use of our trademarks, provided that you complied with our guidelines about trademark use. As between us and you, we have the right to control any litigation concerning the trademarks.

In the event of any trademark or unfair competition lawsuits brought against you arising from use of the licensed marks, provided that your use of the marks is consistent with our guidelines and restrictions, we may, but are not required to, defend and indemnify you. Alternatively, we may direct you to change your use of the mark in question to one or more marks of our choosing.

We or the master franchisor may from time to time modify the trademarks, develop new trademarks, or discontinue certain trademarks. You at your own expense must comply with any changes in the trademarks which we implement.

You must not directly or indirectly contest our right to our trademarks, trade secrets, or business techniques that are part of our business. You are not permitted to use our trademarks in social media or on the internet, including registering a domain name including our trademarks, without our prior permission.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use any item covered by a patent, but you can use the proprietary information in the operation manual, together with our training materials, recipes, menu templates, proprietary food items, posters, menus and other advertising materials. The operation manual is described in Item 11. Item 11 also describes limitations on the use of the manual by you and your employees. We own the copyright for the operation manual and for the advertising materials and other items which we will make available to you.

We also own all copyright interest in the advertising materials which you produce using the trademarks for the Shihlin system. If you leave the system, you may not use these materials.

You must promptly notify us if you learn about the unauthorized use of our proprietary information. We are not obligated to take any action, but we will evaluate the situation and respond as we decide is appropriate.

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

If you are an individual, you are required to participate personally in the direct operation of the restaurant. This means that you must directly supervise the Shihlin restaurant by being on-premises at least once per week and spend a minimum of eight hours in the restaurant per week, except during periods of travel, which must be less than two months per year. We require you to make your Shihlin restaurant operation your primary business interest.

If you are a corporation or limited liability company, your Shihlin restaurant must be under the direct on-premises supervision of at least one of the owners of the business with a 10% or greater ownership interest.

In addition, if you are married, your spouse will be required to sign the Spousal Consent and Waiver (Exhibit J), providing that he or she understands and agrees to waive any community property rights in the franchise.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We restrict the products that you may sell and the services you may offer. You are required to offer our full menu of fried chicken and other street snacks which we designate in your Shihlin restaurant. You must use our recipes and preparations.

We have the right to introduce new standard menu items and to require you to offer the new items in your Shihlin restaurant, or to modify the required recipe or preparation for a standard menu item. We also have the right to remove items from the menu and to require you to stop offering a particular menu item. There are no limits on our right to change our menus.

We require that you offer only restaurant services and that you sell only from your Shihlin restaurant location. However, we encourage you to sign up for delivery services such as DoorDash and we do not limit the number of delivery services for which you may sign up. We reserve the right to require all franchisees in our system to stop using a particular delivery service if we have a reasonable, material concern about the service's food safety protocols or its reputation.

You may not create a loyalty program or gift card program without our approval. If we initiate such a program, you are required to participate.

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	AGMT. SECTION	SUMMARY
a.	Term of Franchise	§2.3	The initial term of the franchise is 5 years from the date the franchise agreement is signed.
b.	Renewal or extension of term	§2.3	If you are not in default under any term of the franchise agreement, have not had any prior material violations of the franchise agreement, and meet our renewal requirements, you can renew for a period of 5 years.
c.	Requirements for you to renew or extend	§2.3	You must: (i) give written notice of election to renew between 6 and 12 months before term expires; (ii) not be in default of any material provision of the Franchise Agreement or any amendments; (iii) pay the renewal fee;

	PROVISION	AGMT. SECTION	SUMMARY
			(iv) sign a general release which releases us from all claims that are known or reasonably have been known (the release will not include claims by third parties that are subject to indemnification); (v) furnish us with a copy of lease for the premises demonstrating that your right and ability to possess the premises is assured for the renewal term; (vi) make any improvements and alterations to the restaurant which we reasonably require to meet current specifications; (vii) execute our then-current form of franchise agreement which may contain materially different terms; and (viii) pay for and complete renewal training, if applicable.
d.	Termination by you	§5.1	You may terminate only if we breach the franchise agreement and do not cure our breach within 60 days after notice.
e.	Termination by Franchisor without cause	None	Upon dissolution of the Franchisor.
f.	Termination by Franchisor with cause	§5.1 - §5.3	We can terminate if you default or if events described in sections (g) or (h) occur.
g.	"Cause" defined-defaults which can be cured	§5.1	You will receive 30 days' notice to cure a failure to pay us, or 60 days' notice to cure any breach of the Franchise Agreement other than those described in section (h), below. Your agreement will also end if you do not elect to renew it at least 6 months prior to the end of your term, or if you are not eligible for renewal.
h.	"Cause" defined-defaults which cannot be cured	§5.2	Non-curable defaults include failure to open with 180 days of the effectiveness date of the franchise

	PROVISION	AGMT. SECTION	SUMMARY
			agreement; failure to reopen after damage; abandonment for five (5) or more days; failure to complete initial training; failure to pay franchise fees for 5 or more days after notice; bankruptcy or insolvency; admission that you are unable to pay your debts; seizure of your business by any third party; a levy upon the business which is not cured within 5 days; felony conviction or criminal misconduct relevant to the franchise system; non-compliance with any law including health and safety issues for 10 or more days after notification; three (3) or more breaches of the Agreement within one year or repetition of a cured breach; unapproved transfer; and material misrepresentation in the franchise application.
i.	Your obligations on termination or nonrenewal	§5.3	Obligations include complete de-identification, including turning over to TSSFI the telephone numbers and social media accounts and other customer communication channels you used while operating as a Shihlin restaurant, return of the operation manual, and payment of amounts due. We have the right to enter your franchise and to complete the de-identification obligations ourselves. If we are required to do so, we will assess our costs of doing so on you.
j.	Assignment of contract by Franchisor	§6.6	We may transfer the Franchise Agreement to any other party.
k.	"Transfer" by you - definition	§6.1 - §6.5	You may transfer by selling your franchise to an approved person or entity, and must pay required Transfer Fees and all amounts owed under your Franchise Agreement up to the date of transfer.

	PROVISION	AGMT. SECTION	SUMMARY
l.	Franchisor's approval of transfer by franchisee	§6.1	We have the right to approve your transfer of the franchise, or to exercise our right of first refusal.
m.	Conditions for Franchisor approval of transfer	§6.1	Our prior written approval is required for any transfer. If we decline our right of first refusal you must comply with conditions for transfer including paying a transfer fee. In addition, we must approve the person to whom you are transferring and they must successfully pass training. Any transferee must meet the same criteria required of any franchisee and sign the then-current form of franchise agreement.
n.	Franchisor's right of first refusal to acquire your business	§6.3	We have an option to purchase your business on the same terms and conditions of any offer accepted by you, except if the transfer is to a member of the immediate, nuclear family; an estate trust whose beneficiaries are the immediate, nuclear family; or to an existing equity holder of the franchisee if certain conditions are met.
o.	Franchisor's option to purchase your business	§6.3	On expiration or termination of the franchise, we have a 60-day time period in which to purchase your equipment, furnishings, fixtures, signs, inventory, leasehold or building and real estate, and improvement and other real or personal property or any portion thereof for a sum equal to fair market value of such property. We will not pay for intangible assets including, but not limited to, good will.
p.	Your death or disability	§6.2	For up to 180 days after your death, your surviving spouse, heirs, or representatives may participate in the ownership and operation of the

	PROVISION	AGMT. SECTION	SUMMARY
			franchise according to the terms of the franchise agreement. After 180 days, they must either pass our initial training program and satisfy all of our then-current qualifications and requirements of new franchisees, or sell the franchise to an entity or individual approved by us.
q.	Non-competition covenants during term of franchise		You may not hold any ownership interest in or otherwise participate in any other fried chicken-related restaurant business, Taiwanese-themed restaurant or similar operation during term of the Franchise Agreement without our prior written permission.
r.	Noncompetition covenants after franchise is terminated or expires		For 5 years after the termination or expiration of your franchise agreement, you cannot operate or have an interest in a competing business within a 10 mile radius from any other Shihlin restaurant or your location, or have an ownership interest in any entity which grants franchises or licenses to others to operate restaurants specializing in fried chicken, Taiwanese food, or similar foods. For 2 years after termination or expiration, you may not employ, recruit or hire any person employed or previously employed by us or our franchisees without our or the other employer's consent.
s.	Modification of Agreement	§7.2	No modification is permitted except in writing, signed by all parties. This does not restrict our right to change our Operations Manuals containing our System standards, specifications and operating requirements and to require you to comply with these changes.

	PROVISION	AGMT. SECTION	SUMMARY
t.	Integration, merger clauses	§7.2	Only the terms of Franchise Agreement are binding. Nothing in the Franchise Agreement is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.
u.	Dispute resolution by arbitration or mediation	§7.9	Non-binding mediation initially required. If the dispute is not resolved with non-binding mediation, or if a party refuses to mediate, then the parties resolve the dispute via binding arbitration. Immediate injunctive relief is available where either party may be irreparably harmed.
v.	Choice of forum	§7.10	Arbitration forum in the County of Santa Clara, California, except unlawful detainer actions which may be filed where the restaurant is located.
w.	Choice of law	§7.10	California law applies (subject to state law).

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchises.

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 Jason Shiao at TSSFI, 522 Barber Lane, Milpitas, CA 95035, (408) 922-7271, or the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet* Summary
For Fiscal years 2020 - 2022

Outlet Type	Year	Outlets at the start of the year	Outlets at the end of the year	Net change
Franchised	2020	1	1	0
	2021	1	2	1
	2022	2	4	2
Company owned	2020	4	4	0
	2021	4	4	0
	2022	4	4	0
Total Outlets	2020	5	5	0
	2021	5	6	1
	2022	6	8	2

Table No. 2
Transfers of Outlets* from Franchisees to New Owners
For Fiscal years 2020 - 2022

State	Year	Number of Transfers
CA	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchised Outlets*
For Fiscal years 2020 - 2022

State	Year	Outlets at start of year	Outlets opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations, other reasons	Outlets at end of year
CA	2020	1	0	0	0	0	0	0
	2021	1	1	0	0	0	0	2
	2022	2	2	0	0	0	0	4
Total	2020	1	0	0	0	0	0	0
	2021	1	1	0	0	0	0	2
	2022	2	2	0	0	0	0	4

Table No. 4
Status of Company Owned Outlets
For Fiscal years 2020 - 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CA	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	1	0	1	0	4
TOTAL	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	1	0	1	0	4

Table No. 5
Projected Openings
As of December 31, 2022

State	Franchise Agreements Signed but Outlet not Open	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
CA	0	0	0
Total	0	0	0

A list of franchisees is included at Exhibit E.

Franchisee Groups

There are no franchisee groups or associations at present.

ITEM 21
FINANCIAL STATEMENTS

The audited financial statements for TSSFI for the fiscal year ended December 31, 2022, are attached as Exhibit A. TSSFI has not been offering franchises under a disclosure document long enough to provide three years worth of financial statements. Also attached are the unaudited financials to within the last 90 days. The fiscal year end of TSSFI is December 31.

ITEM 22
CONTRACTS

The following agreements are attached as exhibits to this Franchise Disclosure Document:

Exhibit B	Franchise Agreement
Exhibit I	Owner's Guaranty and Assumption of Franchisee's Obligations
Exhibit J	Spousal Consent

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit L. Please sign and date one copy and return it to us. Retain the other copy for your records.

EXHIBIT A TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

THE ATTACHED FINANCIALS FOR TAIWAN STREET SNACKS FRANCHISE, INC. FOR THE PERIOD ENDED APRIL 30, 2023 HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSES HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

SHIHLIN TAIWAN STREET SNACKS
Balance Sheet
Accrual Basis — **As of April 30, 2023**

	Apr 30, 23
ASSETS	
Current Assets	
Checking/Savings	
BoA Savings MLP 6684	200,049.06
Business CD 0094	200,000.00
Business CD 0104	200,000.00
Business Operating MIS 2054	98,810.17
Business Operating MLP 9813	111,766.01
Business Operating PLS 0222	102,952.19
Business Operating SANM 7299	40,445.64
Business Operating STN 0280	83,969.12
Cash on Hand	27,638.00
Total Checking/Savings	1,065,630.19
Accounts Receivable	
Accounts Receivable	78,694.34
Total Accounts Receivable	78,694.34
Other Current Assets	
Deposit in Transit	17,956.66
Employee Advance	1,000.00
Inventory	269,676.00
Prepaid State Tax	152.00
Total Other Current Assets	288,784.66
Total Current Assets	1,433,109.19
Fixed Assets	
Accumulated Depreciation	(900,037.00)
Furniture and Fixture	49,909.04
Machine and Equipment	95,585.22
Tenant Improvement	780,038.58
Total Fixed Assets	25,495.84
Other Assets	
Accumulated Amortization	(108,955.00)
Franchise Agreement	175,634.42
Goodwill	100,000.00
Security Deposits	73,503.28
Total Other Assets	240,182.70
TOTAL ASSETS	**1,698,787.73**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	10,335.95
Total Accounts Payable	10,335.95
Credit Cards	
BoA CC 0911 Stonestown	1,357.10
BoA CC 4287 Pleasanton	2,782.41
BoA CC 6070 Mission	2,433.03
BoA CC 7979 Milpitas	3,989.05
Total Credit Cards	10,561.59
Other Current Liabilities	
Accrued Payables	6,004.42
Payroll Liabilities	
SF Health City Option	(928.31)
Total Payroll Liabilities	(928.31)

SHIHLIN TAIWAN STREET SNACKS
Balance Sheet
As of April 30, 2023

Accrual Basis

	Apr 30, 23
Sales Tax Liability	66,521.49
Total Other Current Liabilities	71,597.60
Total Current Liabilities	92,495.14
Long Term Liabilities	
Business Loan	100,000.00
Total Long Term Liabilities	100,000.00
Total Liabilities	192,495.14
Equity	
Retained Earnings	1,113,312.44
Shareholder Contribution	531,298.92
Shareholder Distributions	(320,000.00)
Net Income	181,681.23
Total Equity	1,506,292.59
TOTAL LIABILITIES & EQUITY	**1,698,787.73**

SHIHLIN TAIWAN STREET SNACKS
Profit & Loss
January through April 2023

Accrual Basis

			Jan - Apr 23
Ordinary Income/Expense			
Income			
Food Sales			1,213,439.38
Franchisee - Franchise Revenue			
Berryessa Franchise Revenue		84,885.81	
San Mateo Franchise Revenue		14,268.19	
Valley Fair Franchise Revenue		23,289.31	
Total Franchisee - Franchise Revenue			122,443.31
Franchisee - Materials Revenue			
Berryessa Materials Revenue		54,758.20	
Great Mall Materials Revenue		38,051.35	
San Mateo Materials Revenue		17,030.81	
Valley Fair Materials Revenue		31,021.27	
Total Franchisee - Materials Revenue			140,861.63
Refunds			(575.76)
SF Health Surcharge			8,738.70
Tips Income			27,676.48
Total Income			1,512,583.74
Cost of Goods Sold			
Raw Materials			95,873.29
Restaurant Supplies			
Restaurant Supplies-Great Mall		580.00	
Restaurant Supplies - Berryessa		140.00	
Restaurant Supplies - San Mateo		1,300.00	
Restaurant Supplies - Other		252,347.20	
Total Restaurant Supplies			254,367.20
Total COGS			350,240.49
Gross Profit			1,162,343.25
Expense			
Advertising and Promotion			1,552.00
Alarm and Security			420.00
Automobile Expense			1,202.96
Bank Service Charges			371.14
Computer and Internet Expenses			2,659.96
Credit Card Fees			42,669.83
Delivery and Other Fees			66,672.52
Dues and Subscriptions			419.83
Franchise Expense			
Labor			
Labor - Berryessa	40.00		
Labor - Great Mall	150.00		
Labor - San Mateo	650.00		
Total Labor		840.00	
Materials			
Materials - Berryessa	40,027.19		
Materials - Great Mall	30,122.48		
Materials - San Mateo	11,087.90		
Materials - Valley Fair	24,087.73		
Total Materials		105,325.30	
Total Franchise Expense			106,165.30

SHIHLIN TAIWAN STREET SNACKS
Profit & Loss
Accrual Basis — **January through April 2023**

		Jan - Apr 23
Franchise Fee		
Franchise Fee - Berryessa	23,586.77	
Franchise Fee - San Mateo	2,616.10	
Franchise Fee - Valley Fair	4,061.35	
Franchise Fee - Other	12,305.57	
Total Franchise Fee		42,569.79
Freight and Delivery		
Freight & Delivery- Valley Fair	597.07	
Freight & Delivery - Berryessa	597.07	
Freight & Delivery - Great Mall	597.07	
Freight & Delivery - San Mateo	597.08	
Freight and Delivery - Other	2,388.31	
Total Freight and Delivery		4,776.60
Insurance Expense		9,596.56
Jason Delivery Charges		2,052.00
Legal Fee for Franchise Develop		6,504.00
License and Permits		1,299.02
Meals and Entertainment		688.32
Office Expense		845.39
Parking and Tolls		11.00
Payroll Expenses		
Bonus	900.00	
Hourly Staff	349,912.11	
Officer Salary	43,080.00	
Payroll Processing Fee	5,580.00	
Payroll Taxes	41,263.56	
Salary Staff	18,457.60	
SF Health Insurance	9,270.26	
Tips	26,252.64	
Total Payroll Expenses		494,716.17
Pest Control		4,202.44
Professional Fees		13,450.12
Rent Expense		125,631.11
Repairs and Maintenance		8,565.18
Storage and Warehouse Fee		
Storage - Berryessa	1,768.41	
Storage&Warehouse Fee-San Mateo	1,613.77	
Storage&Warehouse Fee-Valley Fa	2,478.51	
Storage and Warehouse Fee - Other	7,541.31	
Total Storage and Warehouse Fee		13,402.00
Supplies		4,007.51
Taxes		
CA	1,877.00	
Total Taxes		1,877.00
Telephone Expense		844.95
Travel Expense		4.21
Utilities		28,874.89
Total Expense		986,051.80
Net Ordinary Income		176,291.45

SHIHLIN TAIWAN STREET SNACKS
Profit & Loss
Accrual Basis — **January through April 2023**

	Jan - Apr 23
Other Income/Expense	
Other Income	
BoA Cash Rewards	5,311.78
Interest Earned	78.00
Total Other Income	5,389.78
Net Other Income	5,389.78
Net Income	**181,681.23**

TAIWAN STREET SNACK FRANCHISE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022

TAIWAN STREET SNACK FRANCHISE, INC.
TABLE OF CONTENTS

MONIS J. SIDDIQUI, CPA P.C.
Certified Public Accountant
917.309.5670

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Taiwan Street Snack Franchise, Inc

Opinion

We have audited the financial statements of Taiwan Street Snack Franchise, Inc, which comprises the balance sheets as of December 31, 2022 and the related statement of operations, and changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Street Snack Franchise, Inc as of December 31, 2022, and the results of its operations and its cash flows for the for the years 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 (GAAS). 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 Taiwan Street Snack Franchise, Inc, 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.

Other Matter

The financial statements for the year ending December 31, 2021, and the beginning equity for the year ended December 31, 2022, were unaudited.

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 Taiwan Street Snack Franchise, Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 Taiwan Street Snack Franchise, Inc's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Taiwan Street Snack Franchise, Inc's ability to continue as a going concern for a reasonable period of time.

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

Monis Siddiqui, CPA P.C.

Monis Siddiqui, CPA
Bellerose, NY
June 15, 2023

TAIWAN STREET SNACK FRANCHISE, INC
BALANCE SHEET
DECEMBER 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	$ 1,209,043
Accounts receivable	66,224
Loan receivable	1,000
Prepaid Expenses	152
Inventory	174,045
Total Current Assets	1,450,464
Fixed Assets, net	25,496
Franchise rights, net	66,679
Goodwill	100,000
Security Deposits	73,503
Total Assets	$ 1,716,142

LIABILITIES AND MEMBERS' (DEFICIT)

Current Liabilities	
Accounts payable and accrued expenses	43,587
Sales Tax Liability	39,166
Loan Payable	100,000
Total Current Liabilities	182,753
Shareholders' equity (Deficit)	1,533,389
Total Liabilities and Members' (Deficit)	$ 1,716,143

See notes to financial statements

TAIWAN STREET SNACK FRANCHISE, INC
STATEMENTS OF OPERATIONS AND SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2022

Revenues	
Food Sales	**$ 3,658,639**
Franchise Revenue	**183,135**
Materials Revenue	**336,463**
Other income	**132,121**
Total Revenue	**4,310,357**
Cost of goods sold	**1,056,086**
Gross Profit	**3,254,271**
Operating Expenses	**3,021,981**
Operating Income	**232,290**
Gain on sale of Asset	**109,297**
Net Income	**341,587**
Shareholders' equity (Deficit) - Beginning	**1,331,802**
Shareholders' contributions (distributions)	**(140,000)**
Shareholders' equity (Deficit) - Ending	**$ 1,533,389**

See notes to financial statements

TAIWAN STREET SNACK FRANCHISE, INC
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities	
Net Profit/(Loss)	$ 341,587
Depreciation	180,253
Amortization	19,064
Adjustments to reconcile net loss to net cash	
(used) by operating activities:	
Changes in assets and liabilities	
Accounts receivable	(15,270)
Loan receivable	12,120
Prepaid Expenses	(152)
Inventory	(116,724)
Security Deposits	(10,050)
Accounts payable and accrued expenses	8,980
Sales Tax Liability	3,073
	422,881
Cash Flow from Investing Activities	
Acquisition of fixed assets	(176,225)
Sale of franchise agreement	30,950
Sale of fixed assets	173,773
Shareholders' Loan	(492,500)
	(464,002)
Cash Flow from Financing Activities	
Shareholders' contributions (distributions)	(140,000)
Net (Decrease) in Cash	(181,121)
Cash - Beginning of Year	1,360,833
Cash - End of Year	$ 1,179,712

See notes to financial statements

1. THE COMPANY- Taiwan Street Snack Franchise, Inc was organized in the state of California for the purpose of acquiring and conducting franchising operations. Taiwan Street Snacks Franchise, Inc was incorporated in July 2016. The company, under DBA Shihlin, was formed to operate restaurants that offer food as authentic as possible as those offered in the famous Shilin Market in Taipei, Taiwan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-The accompanying financial statement has been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

Franchise Arrangements-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement of “Shihlin Taiwan Street Snack Franchise, Inc” for a specified number of years.

Concentration of Credit Risk-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company’s cash accounts exceeded the Federal Deposit Insurance Company’s (FDIC) insurance limit of $250,000 by $942,230 for the period ended December 31, 2022. The Company maintains its cash and cash equivalents with accredited financial institutions.

Use of Estimates-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Fixed assets-Fixed assets are stated at costs and depreciated and amortized using the straight-line method over the estimated useful lives of the assets. Estimated lives of equipment ranges from 3 to 7 years and estimated lives of the improvements ranges from 10 to 15 years. The assets are presented net of accumulated depreciation, depreciation expense for year ended December 31, 2022 was $180,253.

Advertising Cost - The Company expenses all costs for advertising as incurred. Advertising costs for the year ended December 31, 2022, was $5,664.

Inventory-The Company values the inventory at the lower of cost and market. The company periodically reviews the value of items in inventory and provides spoilage of inventory based on its assessment. Inventory for the year ended December 31, 2022, was $174,045.

Income Taxes-The Company has elected to be taxed as a subchapter “S” corporation for income tax purposes. Income for the Company passes through directly to the shareholders’ and is reported on the owner’s individual income tax returns. Therefore, no provision or liability for federal or state income tax has been included in the financial statements.

3. REVENUE RECOGNITION

The Company will record revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations will be recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation will be amortized over the life of the related franchise agreements. Commissions paid for franchises will be amortized over the life of the franchise agreement.

4. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events have been evaluated through June 15, 2023, the date the financial statements were available to be issued.

EXHIBIT B TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

TAIWAN STREET SNACKS FRANCHISE, INC.

FRANCHISE AGREEMENT

Name of Franchisee:

____

Restaurant Location:

____

Date: __________________________

TAIWAN STREET SNACKS FRANCHISE, INC.

Restaurant Franchise Agreement

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EXHIBITS

TAIWAN STREET SNACKS FRANCHISE, INC.

Franchise Agreement

THIS AGREEMENT between Taiwan Street Snacks Franchise, Inc., hereinafter referred to as "TSSFI", and ______________________________ hereinafter referred to as "Franchisee", is made on the basis of the following understandings and recitals and in consideration of the following promises, and the parties hereto, intending to be legally bound, agree as follows:

1. ARTICLE 1. RECITALS

1.1 The Shihlin Business System.

As the result of the expenditure of time, effort and money in research and development, TSSFI and its licensor(s) have developed and have the right to license methods, procedures, designs and marketing and advertising standards and formats, which may be modified by TSSFI from time to time (hereinafter referred to as the "Shihlin System" or "System"). The System is used in the operation of a retail food establishment (hereinafter referred to as an "Shihlin Restaurant" or "Restaurant") offering Taiwanese-style snacks, food, beverages and desserts made in accordance with recipes or specifications furnished by TSSFI, in a specially designed and decorated restaurant with distinctive decor. TSSFI has developed a network (hereinafter referred to as the "TSSFI Network" or "Network") of Restaurants to use the Shihlin System on a mutually cooperative and interrelated basis.

1.2 Proprietary Marks.

TSSFI, by virtue of an exclusive license agreement with its licensor, The STSS Pte Ltd. (the "Licensor"), franchises Restaurants under the proprietary service mark "Shihlin Taiwan Street Snacks" and associated logo and such other trademarks, service marks and other commercial symbols licensed to TSSFI, as may be modified from time to time, which are used to identify the products and services offered by the Restaurants (herein collectively referred to as the "Marks").

1.3 Operating Standards.

Franchisee acknowledges reading this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonable and necessary to maintain TSSFI's high standards of service, quality and appearance, as well as the consistency of these standards at all Shihlin Restaurants, in order to protect and preserve the goodwill of the Marks. Franchisee therefore agrees to operate the franchised Restaurant as an integral part of the TSSFI Network and in accordance with the Shihlin System.

1.4 Franchisee Desires A License.

Franchisee desires to establish a Shihlin Restaurant under the System, in the general area designated in Exhibit 1, and to use in connection therewith the Marks and System, and provide the food and related products and services authorized for the Restaurant, as an integral part of the

TSSFI Network, and to derive the benefits of TSSFI reputation, advice, experience, guidance and know-how.

1.5 Investigation of Franchise.

Franchisee acknowledges that he or she has conducted an independent investigation of the business venture contemplated by this Agreement and has also investigated the competitive retail restaurant and food service industry. Franchisee recognizes that the business contemplated by this Agreement involves business risks and that the success of the venture is largely dependent upon the business ability of Franchisee. Franchisee further acknowledges having obtained independent legal advice and other appropriate counsel prior to signing this Agreement.

1.6 No Earnings Claims: No Misrepresentations.

TSSFI expressly disclaims the making of, and Franchisee acknowledges not having received or relied upon any warranty or guaranty, express or implied, oral or written, regarding the potential revenue, profits or success of the Restaurant business contemplated by this Agreement. Franchisee further represents to TSSFI, as an inducement to its entry into this Agreement, that Franchisee has made no misrepresentations in obtaining this franchise.

2. ARTICLE 2. GRANT OF FRANCHISE

2.1 Grant of Franchise.

(a) Grant of Franchise. Subject to and upon all of the terms and conditions set forth in this Agreement, TSSFI grants to Franchisee the right and license, and Franchisee undertakes the obligation to establish and operate one (1) Shihlin Restaurant under the System and the Marks as TSSFI directs, and to use the Marks in connection with the various food and beverage products and services to be supplied in the operation of the Restaurant (such operation and all of Franchisee's business and activities in connection therewith are herein referred to as a "Restaurant" or "Shihlin Restaurant") at a single specific location (herein referred to as the "Premises") located within the area described in Exhibit 1 attached hereto and made a part hereof.

(b) In connection with this grant, Franchisee is hereby granted the right to operate a Shihlin Restaurant with standard menu and boba beverages during the term of this Agreement.

(c) Alternate Channels of Distribution. TSSFI or the Licensor may sell packaged products, including but not limited to non-food goods, spice mixes, ingredients or frozen prepared foods but excluding fresh prepared food, under the Marks or similar trademarks ("Branded Products") in alternate channels of distribution including online sales via the internet, grocery stores, supermarkets, big box or wholesale stores, both outside and inside the area granted to Franchisee (herein referred to as the "Designated Area" or "Area") which shall be defined in Exhibit 1 attached hereto upon granting approval of a site as provided in Section 3.8 below. TSSFI and the Licensor will not sell Branded Products through other restaurants except as permitted in Section 2.1(d) below. In addition, the stores through which TSSFI or the Licensor sells under this Section may prepare and serve samples of the Branded Products and otherwise display, discount and promote the Branded Products pursuant to their normal business practices.

(d) Territory: Exceptions. Subject to the following exceptions, TSSFI and Licensor will not, while this Agreement is in effect, operate, nor will TSSFI or Licensor grant others a license to operate a Shihlin Restaurant under its System at any location within the area (herein referred to as the "Designated Area" or "Area") which shall be defined in Exhibit 1 attached hereto upon granting approval of a site as provided in Section 3.8 below. Notwithstanding the above, upon the occurrence of any of the following, TSSFI and Licensor may itself operate, or grant a license to another franchisee to operate a Shihlin Restaurant within the Designated Area:

(i) TSSFI reserves the right to establish, either itself or through another franchisee, food trucks offering food and beverage items under the Marks and under the System and to permit such food trucks to enter Franchisee's Designated Area;

(ii) TSSFI reserves the right to establish, either itself or through another franchisee, another Restaurant in any non-traditional locations within the Designated Area granted by this Agreement. Under the terms of this Agreement, a non-traditional location is defined as an airport, sports stadium or special event arena, a convention center or a designated food court in a shopping mall (herein "Non-Traditional Location"). TSSFI may offer Franchisee an opportunity to open in a Non-Traditional Location within Franchisee's Area, but is not required to do so.

(e) Reservation of Rights. TSSFI reserves all rights that this Agreement does not expressly grant or confer upon Franchisee, including, without limitation, the right to establish businesses under the Shihlin name anywhere outside the Designated Area, and the right to promote the Shihlin trademarks and system both inside and outside the Designated Area in its sole discretion.

2.2 Further Rights & Privileges.

Subject to and upon all of the terms and conditions set forth in this Agreement, TSSFI further grants to Franchisee the following rights and privileges:

(a) Marks. Use of the Marks as TSSFI directs, but only at the specific Restaurant described in Section 2.1(a) and only in connection with authorized Restaurant food products and related services;

(b) System. Use, in conjunction with the operation of the Restaurant, of the Shihlin System, as it may be developed, changed and improved during the term of this Agreement;

(c) Supply. To purchase or acquire the right to use, from TSSFI or its approved suppliers, all products, supplies, equipment and services offered by TSSFI and required or permitted in the operation of the Restaurant.

2.3 Term.

(a) Term. This Agreement and the appointment of Franchisee hereunder shall commence on the date this Agreement is executed and, unless previously terminated as herein provided, shall expire on the fifth (5th) anniversary of the date on which this Agreement was executed.

(b) Renewal Option. The term of this Agreement and the appointment hereunder may be extended for one additional term of five (5) years exercisable by written notice from Franchisee to TSSFI, at least six (6) months and not more than twelve (12) months prior to the expiration of the initial term; provided that at the end of the initial term:

(i) Franchisee is not at the time of the exercise or at the commencement of the extension term, in default of the performance of any of Franchisee's obligations hereunder; and

(ii) Franchisee is not at the time of the exercise or at the commencement of the extension term, in default of the performance of any provision of the lease or sublease of the Premises; and

(iii) All monetary obligations owed by Franchisee to TSSFI and all vendors and suppliers have been fully satisfied prior to the commencement of the extension term; and

(iv) At the option of TSSFI, Franchisee shall execute TSSFI's then-current form of franchise agreement which shall waive any initial franchise fees and provide for the then-current royalty fees and network marketing fund contributions; and

(v) Franchisee shall execute a general release, in a form prescribed by TSSFI, of any and all claims against TSSFI, Licensor, and its affiliates, officers, directors, agents and employees, arising out of or relating to this Agreement; and

(vi) Franchisee provides TSSFI with a copy of the lease for the Premises indicating that possession by Franchisee is assured for the renewal term; and

(vii) Franchisee agrees to remodel and/or expand the Premises, add or replace furniture, fixtures, furnishings, equipment, signs and decor and otherwise modify the Restaurant to bring it into compliance with specifications and standards then applicable under new or renewal franchises for Shihlin Restaurants.

(viii) Franchisee pays TSSFI a renewal fee amounting to one-third of the then-current initial franchise fee before the expiration of the initial term.

3. ARTICLE 3. FRANCHISEE'S OBLIGATIONS & DUTIES

3.1 Initial Franchise Fee.

(a) Initial Franchise Fee. In consideration of the grant of franchise, and of the rights and privileges relating thereto, hereinabove made, Franchisee shall pay to TSSFI a franchise fee in the amount of Thirty-Five Thousand ($35,000.00) Dollars, payable upon the signing of this Agreement. This fee shall be paid solely for the grant of franchise rights and privileges, shall be fully earned upon execution of this Agreement, and shall be in addition to all other fees, royalties, costs and other expenditures of any kind required of Franchisee under the terms hereof, or any sums otherwise becoming due from Franchisee for any reason. The franchise fee, except as provided in subparagraphs (c) hereof, shall not be refundable under any circumstances.

(b) Failure to Locate Site. If during the six (6) months after signing this Agreement, Franchisee is unable to secure a lease or sublease for a suitable location for Franchisee's Restaurant, TSSFI may in its sole discretion terminate this Agreement as provided in Section 5.2 of this Agreement.

(c) Failure to Complete Training. If Franchisee does not complete TSSFI training program to the satisfaction of TSSFI, TSSFI may in its sole discretion terminate this Agreement as provided in Section 5.2 of this Agreement.

3.2 Royalties.

In further consideration of the grant of franchise and related rights and privileges hereunder, and in consideration of the services to be rendered by TSSFI to Franchisee in support of Franchisee's operations as below provided, Franchisee shall pay to TSSFI throughout the term of this Agreement monthly royalties of six percent (6%) of Gross Revenue (as defined in Section 3.3) derived from the Restaurant or Five Hundred Dollars ($500.00), whichever is greater in a calendar month, payable monthly, no later than the 10^{th} day of the calendar month for the preceding month's Gross Revenue. TSSFI is permitted to alter the payment schedule to a weekly payment schedule on 30 days' prior notice. If changed to weekly payments, then royalties must be paid each Wednesday for the prior week's Gross Revenue, and the minimum weekly royalty will be $115.00.

3.3 Gross Revenue.

As used herein the term "Gross Revenue" includes the aggregate amount of all charges (defined in accordance with accounting practices and procedures as determined by TSSFI) for goods sold or services rendered to customers in the operation of the Restaurant business, regardless of the nature and location of the giving and receiving of orders for, and of the rendition and delivery of, goods and services, and whether or not payment is received, and in cases where payment is made by exchange of other services and goods provided by a customer, calculated on the basis of usual and ordinary charges for the services or goods rendered or supplied by the Franchisee in the exchange, and all other receipts of any kind of Franchisee derived directly or indirectly from the Restaurant, the operation thereof, and activities in connection therewith, including, but not limited to proceeds from business interruption insurance. Provided that such deductions are properly documented according to TSSFI prescribed accounting procedures, "Gross Revenue" excludes: (i) the amount of all sales, use, and other taxes collected from customers and paid to the appropriate taxing authority, (ii) any amounts in the form of gratuity tips collected from customers, and (iii) any amounts collected from customers of Franchisee but retained by or remitted to third party delivery service providers for delivery of customer orders.

3.4 Advertising, Public Relations and Marketing.

Recognizing the value of Network advertising, public relations and marketing programs, and the importance of the standardization of these programs to promote and further the goodwill and public image of the Shihlin System and Marks, Franchisee agrees as follows:

(a) Network Marketing Fund; Local Advertising. TSSFI has established a Network Marketing Fund ("Network Fund") which is a collective fund used by TSSFI solely for advertising, promotion and marketing in accordance with the provisions of subparagraphs (i) and (ii) below. As long as the Network Marketing Fund is in effect, Franchisee shall make monthly contributions of one percent (1%) of the preceding month's Gross Revenue or Two Hundred Dollars ($200.00), whichever is greater in a calendar month, to a collective Network Marketing Fund (hereinafter "Network Fund"). Payments to the Network Fund shall be made no later than the 10th day of each calendar month for the preceding month. TSSFI is permitted to alter the payment schedule to a weekly payment schedule on 30 days' prior notice. If changed to weekly payments, then Network Fund fees must be paid each Wednesday for the prior week's Gross Revenue, and the minimum weekly Network Fund fee will be $45.00.

TSSFI may suspend or discontinue the Network Fund at any time on written notice, in which case Franchisee shall be required to pay an equivalent amount toward local advertising expenditures promoting Franchisee's Restaurant until such time as the Network Fund is resumed.

(i) Administration of Network Fund**.** Franchisee agrees that TSSFI and Licensor shall have the right to direct all local, regional and national advertising, public relations and marketing programs for the System; to use in these programs the payments described in subparagraph (a) above; and that TSSFI and Licensor shall have the sole discretion over the creative concepts, materials and media used and the placement and allocation thereof. Franchisee agrees and acknowledges that one of the primary intentions of the Network Fund is to maximize public recognition and acceptance of Marks and that TSSFI undertakes no obligation in administering the Network Fund to make expenditures for Franchisee's Area which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from these programs. TSSFI may, without prior notice to Franchisee, delegate some or all of the administration of the Network Fund, to a third party or parties.

(ii) Network Fund Expenditures**.** Franchisee agrees that the Network Fund may be used to meet any and all costs of maintaining, administering, directing and preparing marketing programs, including, without limitation, the cost of preparing, conducting and maintaining the website, direct mail, in-store signage, broadcast media, and other types of advertising; public relations activities, including, without limitation, the cost of hiring agencies and TSSFI personnel to engage in public relations work; and employing advertising and public relations agencies and personnel to assist therein. Advertising and public relations agencies and personnel may be composed of employees of TSSFI or may be entities owned by or affiliated with TSSFI if use of in-house agencies is deemed best by TSSFI, in which event the methods for determining the value of services rendered by the in-house agency shall be set forth in writing and may be charged to the Network Fund. No sums paid by Franchisee to the Network Fund shall be used to defray any of TSSFI general operating expenses, except for reasonable administrative costs and overhead, if any, as TSSFI may incur in activities reasonably related to the administration or direction of the Network Fund and promotional programs, including, without limitation, conducting marketing research, preparing marketing and advertising materials and collecting and accounting for assessments for the Network Fund. These administrative expenses shall not exceed 20% of contributions. An accounting of the operation of the Network Fund shall be prepared annually and made available to Franchisee upon request, but TSSFI and Licensor have no obligation to audit the Network Fund.

(iii) Local Advertising. Franchisee agrees to pay one percent (1%) of its gross sales into local advertising directed by Franchisee, if TSSFI requires Franchisee to do so. Franchisee's local advertising, if required by TSSFI, must comply with all advertising and brand guidelines established by TSSFI, and must be principally directed to Franchisee's territory.

(b) Advertising Standards. All advertising by Franchisee shall be completely factual and shall conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice that may be injurious to the Shihlin System or the goodwill associated with the Marks. Without limiting the foregoing, Franchisee agrees that all advertising and promotions by Franchisee in any form and in any medium shall be conducted in a dignified manner and shall conform to such standards and requirements as TSSFI may from time to time designate in writing. Franchisee shall submit to TSSFI (by mail, return receipt requested or email), for prior written approval, samples of all advertising and promotional plans and materials, including but not limited to flyers and marketing brochures, menus and photos to be used both within the Restaurant and online, that Franchisee desires to use and that have not been prepared or previously approved by TSSFI. If written approval thereof is not received by Franchisee, TSSFI shall be deemed not to have given the required approval.

(c) Use of Social Media. During the term of this Agreement, TSSFI permits Franchisee to promote its business through the use of social media. Franchisee must comply with TSSFI policies on use of the Marks in social media, which policies may be modified by TSSFI at any time. All Franchisee use of social media in connection with the Marks shall be subject to TSSFI advertising standards communicated to Franchisee , which may be modified from time to time in TSSFI's discretion and must also comply with all applicable laws and with the terms of use of any applicable website and/or social media.

(d) Discontinuing Advertising. Franchisee shall immediately remove, delete or discontinue any advertising not approved by TSSFI or upon request of TSSFI. Franchisee shall exercise best efforts to fully and completely remove any disapproved messages, including, without limitation, deleting digital posts, stopping print advertising, removing physical signage, and making requests of third parties and vendors to remove or stop advertisements not approved by TSSFI.

3.5 Other Payments; Cost Increases.

(a) Payment of Vendors. Items of inventory, equipment, supplies, products, material and services offered by TSSFI or Licensor to and accepted by Franchisee shall be paid for at the prices currently charged by TSSFI and Licensor or suppliers at the time of sale with payment for such items to be made by Franchisee in accordance with the terms and policies as specified by TSSFI in its Manuals (as defined in Section 3.10) or otherwise. These payments include payments for food ingredients, computer systems, décor, and other required elements of the Shihlin System. TSSFI endeavors to keep all such prices and costs low, but has the right to increase costs as necessary based on vendor and Licensor cost increases, increased levels of service, new technologies, and related market changes.

(b) Delivery. Except as provided otherwise, Franchisee shall pay delivery fees at TSSFI's actual cost to TSSFI for delivery of products and supplies purchased from TSSFI or

Licensor. Franchisee shall be responsible for its own delivery arrangements and costs of raw materials. If TSSFI has arranged for the delivery of raw materials, Franchisee shall pay TSSFI's actual cost for the delivery of and for the raw materials.

3.6 Reports, Payment Schedule and Manner of Payment.

Franchisee shall throughout the term of this Agreement at Franchisee's expense, submit to TSSFI, complete and accurate reports and payments in such form and detail as TSSFI may require, and in the manner that TSSFI may designate, as follows:

(a) Unless otherwise required by TSSFI, on or before the 10th of each calendar week, a report of all Gross Revenue of the Restaurant for the preceding week (as defined in Section 3.3), together with payment, without setoff or deduction, of the royalties required by Section 3.3;

(b) On or before the tenth (10th) day of each calendar month, a summary report of all income and expenses paid and incurred in the operation of the Restaurant for the preceding calendar month; and

(c) On or before the tenth (10th) day after the end of each calendar quarter, a report of local advertising expenditures for the preceding calendar quarter if such local advertising expenditures are required by Section 3.4(a); and

(d) On or before April 15th of each calendar year, a balance sheet for the preceding calendar year; and

(e) Upon request by TSSFI, such other data, information and supporting records for such periods as TSSFI, from time to time, requires.

(f) Franchisee will make all payments to TSSFI in the manner required by TSSFI, which may include payment by electronic funds transfer from a designated bank account of Franchisee to a designated bank account of TSSFI, or payment by some other electronic debit/credit method. Franchisee agrees to execute any forms or agreements required by banks or financial institutions to authorize transfers, whether initiated by TSSFI or Franchisee. Franchisee is responsible for having sufficient funds on deposit to cover all checks, debits and electronic funds transfers made. All charges imposed by Franchisee's bank or financial institution to process and clear any checks, debits or transfers shall be paid by Franchisee. Franchisee will also reimburse TSSFI for any charges assessed to TSSFI due to Franchisee's account having insufficient funds to cover any check, debit or funds transfer or for any "stop payment' or other refusal to honor or pay a check, debit or funds transfer to TSSFI.

(g) Franchisee will submit all reports required hereunder in the form and using the method designated by TSSFI, which may include transmission electronically over the Internet or by way of an Intranet through a point of sale or computer system or using other information technology.

(h) TSSFI has the right to access to data from Franchisee's Point of Sales system ("POS") without notice and without limitation on the number of times data is accessed or the information TSSFI reviews.

3.7 Late Payments; Fines.

(a) Late Payments; Insufficient Funds. Any payment not actually received by TSSFI as required by this Agreement shall be deemed overdue. If any payment is overdue, Franchisee shall pay TSSFI in addition to the overdue amount, a late fee equal to ten percent (10%) of the overdue amount or the maximum percentage permitted by law (whichever is less). In the event that Franchisee's bank account rejects any payment to or draw by TSSFI on the basis of insufficient funds, Franchisee shall pay to TSSFI the sum of Two Hundred Dollars ($200.00) per incident.

(b) No Waiver. Franchisee acknowledges that this Section 3.7 shall not constitute an agreement by TSSFI to accept any payments after they are due or a commitment by TSSFI to extend credit to, or otherwise finance Franchisee's Restaurant. Further, Franchisee acknowledges that failure to pay all amounts when due shall constitute grounds for termination of this Agreement by TSSFI, as provided in Section 5.2, notwithstanding the provisions of this Section.

3.8 Selection and Lease of Premises.

(a) Initial Selection and Lease. Within six (6) months of the date of signing this Agreement, the Premises shall be selected and a lease or sublease signed by Franchisee. No site proposed by Franchisee may be developed unless approved by TSSFI. TSSFI may require, as a condition of approval, that TSSFI be the prime lessee of any lease for the Premises. If the Franchisee is the prime lessee, the lease for the Premises must be approved by TSSFI prior to the Franchisee's execution of the lease and TSSFI may require as a condition of its approval that the lease contain certain provisions to protect its interests, including but not limited to the following provisions:

(i) a provision granting Franchisee the right to assign the lease to TSSFI or the Affiliate without penalty; and

(ii) a provision that the lessor will immediately notify TSSFI of any breach of the lease and allow TSSFI a cure period;

(iii) a provision granting TSSFI or the Affiliate the right to exercise any option to renew the lease of the Premises, if an option exists and Franchisee fails to exercise this option;

(iv) a provision requiring that the premises always be operated as a Shihlin Restaurant during the lease term.

If Franchisor so directs, these provisions shall be in the form attached as Exhibit 4 of this Agreement.

Franchisee shall at all times perform and comply with the obligations, limitations and requirements on the part of Franchisee to be performed and complied with under the terms of the lease or sublease. In the event Franchisee's lease or sublease expires or is otherwise terminated prior to the end of the initial term of this Agreement, or extension thereof, and this termination is not caused by a default on the part of Franchisee, Franchisee shall select another suitable place of business within the Designated Area, or if a location is not available in the Designated Area then outside the Designated Area, subject in all cases to the prior written approval of TSSFI which shall not be unreasonably withheld. If the Franchisee's lease of Premises continues beyond the term of this Agreement and beyond the term of any extension or exercised option periods of this Agreement, Franchisee shall be responsible for all obligations and duties described in Sections 5.2 and 5.3 of this Agreement.

(b) Relocation of the Premises. If Franchisee's lease or sublease for the Premises of the Restaurant expires or terminates without Franchisee's fault, if the Premises are damaged, condemned or otherwise rendered unusable, or if, in the judgment of TSSFI, there is a change in the character of the location of the Premises sufficiently detrimental to its business potential to warrant its relocation, TSSFI will grant permission for relocation of the Premises to a location and premises approved by TSSFI within the Designated Area. Any such relocation shall be at Franchisee's sole expenses and must be completed within six (6) months of the loss of lease for the Premises or the closing of the Restaurant.

3.9 Condition and Appearance of Premises.

(a) Construction of Premises. Within twelve (12) months of the date of signing of this Agreement, Franchisee shall, at no cost to TSSFI, cause to be constructed all improvements to the Premises and outfit them with all furniture, fixtures, furnishings, equipment, alarm and security surveillance system, signs and decor required to prepare for operation of the business, all in accordance with the design, layout and decor specifications supplied and approved by TSSFI, and city/county, health, fire, and any other regulatory permitted approvals. To do so, Franchisee shall use approved suppliers of TSSFI, including, but not limited to approved architects, general contractors, and designers.

(b) Maintenance of Premises. Franchisee agrees that neither the Restaurant nor the Premises will be used for any purpose other than the operation of a Shihlin Restaurant in compliance with this Agreement. Franchisee will maintain the condition and appearance of the Restaurant and the Premises, its furniture, fixtures, furnishings, equipment, signs and decor in accordance with the specifications and standards of TSSFI and consistent with the image of a Shihlin Restaurant as an efficiently operated business offering high quality Taiwanese street food and observing the highest standards of cleanliness and sanitation. Franchisee will perform such maintenance with respect to the furniture, fixtures, furnishings, equipment, signs and decor of the Restaurant and the Premises as is required from time to time to maintain such condition, appearance and efficient operation, including without limitation: (a) thorough cleaning, repainting and redecorating of the interior and exterior of the Premises at reasonable intervals; (b) interior and exterior repair of the Premises; and (c) repair or replacement of damaged, worn out or obsolete, furniture, fixtures, furnishings, equipment, signs and decor. Decoration and repair shall be made by approved suppliers of TSSFI, unless Franchisee obtains approval in writing in advance to use another supplier.

Franchisee will not make any material alterations to the Premises, or to the appearance of the Restaurant as originally developed, without prior approval by TSSFI. Franchisee will remodel, expand, redecorate, re-equip and refurnish the Premises and the

Restaurant at reasonable intervals determined by TSSFI, using approved suppliers, to reflect changes in the operations of Shihlin Restaurants prescribed by and required of new franchisees, all of which are subject to approval by TSSFI of layouts, designs, furniture, fixtures, furnishings, equipment, signs and decor. Franchisee will place or display at the Premises (interior and exterior) only such signs, emblems, lettering, logos and displays and advertising materials that are from time to time approved by TSSFI.

Franchisee acknowledges that the maintenance and upgrade of the Restaurant that is required under this Section 3.9 may require the expenditure of additional capital that, in some cases, may be substantial.

3.10 Operation of Business.

Promptly following completion of improvements and installation of equipment in the Premises, and in any event within twelve (12) months of the date of signing this Agreement, Franchisee shall commence operation of the Restaurant and shall thereafter, subject only to interruption resulting from acts of God or other causes beyond the control of Franchisee and not relating to the availability of funds to Franchisee, continuously operate the Restaurant, devoting Franchisee's full time, except as below specifically provided in subparagraph 3.10(e), and Franchisee's best efforts, skills, and diligence to the conduct of the business of selling and providing products and services (hereinafter "Business Services") authorized or required to be provided as part of the Shihlin System as set forth in TSSFI Confidential Operating Manuals and all supplements, addenda and amendments thereto (herein collectively called the "Manuals"), and Franchisee shall not sell or provide other products or services except ones which TSSFI, in its sole and absolute discretion, shall approve as being compatible and not interfering with the Shihlin System or Network. Specifically and without limiting the foregoing, Franchisee agrees:

(a) Follow Manuals and Standards. Franchisee shall operate the Restaurant in all respects in accordance with all reasonable requirements of TSSFI from time to time in effect, as set forth in the Manuals and in other communications from TSSFI, maintaining the highest business standards of quality and ethical conduct, and not otherwise so that the Restaurant shall be established and at all times operated as and constitute a business of the highest quality and appearance. With respect to the Manuals, Franchisee specifically agrees as follows:

(i) Franchisee shall treat the Manuals created and approved for use in the operation of franchised Restaurants, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain this information as secret and confidential; and

(ii) Franchisee agrees that the Manuals shall remain the sole property of TSSFI; that TSSFI may, from time to time, revise the contents of the Manuals; and Franchisee agrees to comply with each new or changed provision thereof; and

(iii) Franchisee agrees that the master copy of each Manual maintained by TSSFI at its principal office shall be controlling in the event of a dispute relative to the content of any Manual.

(b) Approved Products and Services. Franchisee shall maintain at sufficient inventory levels, and sell only products and services that meet TSSFI and Licensor standards of quality and have been expressly approved by TSSFI in writing for offer or sale by Franchisee. Franchisee shall refrain from any deviation from TSSFI standards and specifications for selling products and services without TSSFI prior written consent and shall discontinue offering and selling any products and services that TSSFI or Licensor may disapprove in writing from time to time, in its sole discretion.

(c) Approved Suppliers: Testing. Franchisee will purchase certain food and beverage items as specified by TSSFI only from suppliers that are designated by TSSFI as approved sources for the particular item or items. Approved sources include TSSFI and Licensor. TSSFI may in its sole discretion determine which items must be purchased only from designated sources and which suppliers to designate as the sources for those items. TSSFI may require any or all proprietary and non-proprietary food items to be purchased only from designated suppliers. Franchisee agrees that the foregoing provisions are reasonable and necessary in order to maintain consistency in quality of the food and beverages sold within the Shihlin System and to leverage the buying power of the Network. Where no supplier is designated by TSSFI, Franchisee will purchase the subject equipment, products, services and materials required for operation of the Restaurant solely from suppliers who demonstrate to the continuing reasonable satisfaction of TSSFI, the ability to meet TSSFI standards and specifications for same; who possess adequate quality and sanitation controls and ability to supply Franchisee's needs promptly, consistently and reliably; and who have been approved in writing by TSSFI and not thereafter disapproved. If Franchisee desires to purchase any item or service from an unapproved supplier, or to sell products or services not previously approved by TSSFI, Franchisee shall follow these steps:

(i) submit a written request for approval to TSSFI. TSSFI shall have the right to require that its representatives be permitted to inspect the supplier's facilities, or that samples of unapproved products or services be delivered, at TSSFI option and without charge to TSSFI, either to TSSFI or its designee for testing.

(ii) Franchisee shall pay TSSFI a charge not to exceed Two Thousand Five Hundred Dollars ($2,500) per request.

(iii) TSSFI reserves the right, at its option, to re-inspect the facilities and products of any approved supplier and revoke its approval, if any has been granted, if the supplier fails to meet any of TSSFI then-current criteria. In no event shall TSSFI be required to evaluate or approve a different supplier where TSSFI has designated a supplier or suppliers as the source for a particular item or to approve any products or services for sale not previously approved by TSSFI.

(d) Purchasing Arrangements. Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at TSSFI's sole option, TSSFI may establish one or more strategic arrangements, purchasing or distribution cooperatives or preferred vendor programs with suppliers who are willing to supply some or all franchisees with some or all products or services that TSSFI requires franchisees to use or sell in the Restaurant. TSSFI shall have the unlimited right to collect and retain any and all allowances, rebates, credits, monies, payments or benefits offered by suppliers to TSSFI or its affiliates based upon Franchisee's purchases of products and other goods and services.

(e) Confidential Information. TSSFI, together with Licensor, possesses and will develop and acquire certain confidential and proprietary information and trade secrets consisting of (1) business methods, techniques, standards, procedures and formats of the System; (2) policies, procedures, information, concepts, systems and knowledge of and experience in the development, operation and franchising of Restaurants; (3) recipes, menu preparation and selection and combination of food items; (4) marketing programs for Restaurants; and (5) knowledge and specifications for and suppliers of certain materials, furniture, fixtures, furnishings, equipment, signs and decor for Restaurants (collectively the "Confidential Information"). TSSFI will disclose to Franchisee the Confidential Information in the Manuals and in guidance and assistance furnished to Franchisee during the term of this Agreement. Franchisee acknowledges and agrees that Franchisee will not acquire any interest in the Confidential Information and that the use of the Confidential Information in any other business would constitute an unfair method of competition with TSSFI and other Restaurants. Franchisee acknowledges and agrees that the Confidential Information belongs to TSSFI, contains trade secrets belonging to TSSFI and is disclosed to Franchisee and authorized for use solely on the condition that Franchisee agrees that Franchisee: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute secrecy and confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and (4) will adopt and implement all reasonable procedures prescribed from time to time by TSSFI to prevent unauthorized use or disclosure of or access to the Confidential Information.

Franchisee shall cause its principals and managers to execute a Confidentiality Agreement substantially in the form of Exhibit 3 attached hereto. Franchisee shall deliver such copies of all such Confidentiality Agreements to TSSFI promptly after they are signed. Franchisee agrees that the relationship with TSSFI does not vest in Franchisee any interest in any Confidential Information other than the right to use it in the development and operation of the Restaurant under this Agreement and other than the right to utilize it in the operation of the Restaurant during the term of this franchise and that Franchisee will maintain the confidentiality of the Confidential Information during and after the term of this Agreement.

(f) Devote Adequate Working Time: Non-Compete. Franchisee acknowledges and agrees that it is essential to this Agreement that the franchise be operated and managed by an individual who has successfully completed the training required by TSSFI. Franchisee has designated, and TSSFI has approved the person specified in Exhibit 1 to operate and manage the Restaurant. If said individual does not throughout the term of this Agreement continue to operate and/or manage the Restaurant, such event shall be a material breach of this Agreement unless such change in management is pursuant to TSSFI express written consent as specified in this Agreement.

In addition, Franchisee shall devote full working time to the franchised Restaurant during the first year of operations. Thereafter, Franchisee agrees to devote adequate working time to the operation of the Restaurant; provided, that Franchisee may devote less than full working time to the operation of the Restaurant if Franchisee employs one or more competent and trained individuals (who may be required to successfully complete training pursuant to Section 4.2(d) hereof) approved by TSSFI, who devotes to the management of the operation at least the equivalent of the working time not devoted by Franchisee; and provided further, that if Franchisee is at any time, by reason of sickness, disability or other cause, rendered unable to devote full working time to the operation, Franchisee will employ one or more substitutes, all to the end that there shall be devoted to the management of the Restaurant at all times at least the full working time of one competent and trained individual. If Franchisee owns more than one Restaurant, Franchisee must divide his or her time between them and hire managers approved by the Franchisor to provide on-premises supervision of each Restaurant in Franchisee's absence.

TSSFI has entered into this Agreement on the express condition that with respect to the operation of a retail food establishment, Franchisee and its owners and members of their respective immediate families will deal exclusively with TSSFI. Franchisee therefore agrees that during the term of this Agreement, except for the Restaurant and other Shihlin Restaurants operated under franchise agreements with TSSFI, neither Franchisee nor any shareholder or partner of Franchisee (in the event Franchisee is a corporation or partnership), nor any member of the immediate family of Franchisee or any member of the immediate family of any shareholder or partner of Franchisee, shall conduct or operate, directly or indirectly, or be employed by or associated in any way with any fried chicken restaurant, boba café, a restaurant associated with Taiwanese food, or any other retail food establishment that sells products substantially similar to those offered at Restaurants (referred to hereafter as a "Competitive Business"), nor shall Franchisee or its partners, shareholders, or members of their respective immediate families engage in, directly or indirectly, or be employed by or associated in any way with any food service operation or other activities which would be detrimental to or interfere with the operation or management of the Restaurant.

(g) Attend and Satisfactorily Complete Training. Franchisee shall, at Franchisee's sole expense, attend and satisfactorily complete the initial training program provided by TSSFI. Franchisee shall ensure that employee training as provided for in Section 4.1(b) hereof is completed prior to commencing business at Franchisee's Restaurant and Franchisee shall provide and carry out a training program for Franchisee's other employees, in compliance with all requirements of the training and the Manuals. Any designated representative(s) attending the training programs and meetings shall first have entered into a nondisclosure agreement as provided in subparagraph (d) hereof. Franchisee agrees to attend or cause Franchisee's designated manager(s) to attend, all subsequent and continuing management training programs as provided for in Sections 4.2(c) and (d) hereof.

(h) Marketing Efforts. Franchisee shall vigorously pursue and promote sales and activities leading to sales by the Restaurant; and shall cooperate with TSSFI, Licensor and other franchisees in the TSSFI Network in promoting and enhancing the Shihlin System and Network. Franchisee acknowledges and agrees that catering and delivery services are not approved without TSSFI's prior written approval, which may be withheld if Franchisee is not meeting the Shihlin System standards.

(i) Loyalty Program. In the event that TSSFI establishes a customer loyalty program, Franchisee must participate in the program. The specific program rules and construction shall be in the sole discretion of TSSFI and may require Franchisee to provide free or discounted products or services to a customer who earned such benefits through spending at Shihlin Restaurants, including those not owned by Franchisee. The specific terms of the TSSFI Loyalty Program shall be set forth in the Manuals and may be modified from time to time by TSSFI.

(j) Closure for Remodeling. Franchisee must obtain TSSFI prior approval of its dates for closing and re-opening in the event of any closure for remodeling purposes pursuant to Section 3.9.

3.11 Use of Commercial Symbols.

Franchisee acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the operation of a Restaurant pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by TSSFI and Licensor in the Manuals from time to time during the term of this Agreement. Specifically and without limiting the foregoing, Franchisee agrees:

(a) This Agreement does not confer any goodwill or interests in the Marks upon Franchisee.

(b) Franchisee shall use only the Marks authorized by TSSFI and Licensor, and shall use the Marks only in the manner authorized and permitted by TSSFI and Licensor.

(c) Franchisee shall use the Marks only in connection with the operation of the Restaurant and only at the location referred to in Section 2.1 of this Agreement.

(d) Any and all goodwill arising from Franchisee's use of the Marks under the Shihlin System shall inure solely and exclusively to the benefit of the Licensor and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned to any goodwill associated with Franchisee's use of the Shihlin System or Marks.

(e) The Marks are valid and serve to identify TSSFI, the Shihlin System and those licensed under the System. Franchisee agrees not to directly or indirectly contest the validity or ownership of the Marks. Throughout the term of this Agreement, including any extensions thereof, Franchisee shall identify himself or herself as a franchisee of TSSFI in conjunction with any use of the Marks, displaying the Marks in all appropriate places at the Restaurant, on stationery and merchandise, and otherwise in the operation of the Restaurant, as TSSFI may specify from time to time.

(f) Franchisee agrees not to use any Mark licensed under this Agreement in connection with the sale of any unauthorized product or service or in any other manner not expressly approved in writing by TSSFI.

(g) If it becomes advisable at any time, in TSSFI's and Licensor's sole discretion, for TSSFI, Licensor or Franchisee to modify or discontinue use of any Mark or use one or more additional or substitute Marks or commercial symbols, Franchisee agrees to comply therewith within a reasonable time after notice by TSSFI or Licensor.

(h) Franchisee shall comply with TSSFI's instructions in filing and maintaining fictitious or trade name registrations, and shall execute any documents deemed necessary by TSSFI to protect and maintain the continued validity of the Marks.

(i) In the event that Franchisee is aware of any use of the Marks or colorable imitation thereof which falsely suggests or represents an association or connection with TSSFI or any of its Marks, or litigation involving the Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify TSSFI and cooperate fully with TSSFI or Licensor in connection therewith. Franchisee agrees that TSSFI and Licensor will have the right to control any litigation with respect to the Marks.

3.12 System Improvements.

Franchisee acknowledges and agrees that TSSFI or Licensor may modify, alter, add to or subtract components from the System and/or the methods, procedures and techniques which Franchisee is authorized and required hereunder to utilize in the operation of the Restaurant, including addition to or elimination from the System of products or services or other activities constituting elements thereof. Franchisee acknowledges and agrees that TSSFI and Licensor shall have sole control and discretion over all supplements, improvements, alterations and development of the System, and the products and services offered thereunder; that this control and discretion is in the best interests of the Shihlin System; and that Franchisee will comply with all TSSFI requirements concerning the System and improvements thereto. Franchisee shall seek, in its operation of the Restaurant to develop and conceive such supplements, improvements and alterations, and upon doing so shall in each case promptly and fully advise TSSFI thereof. TSSFI and Licensor shall have the right, but not the obligation, to make use of all supplements, improvements and alterations so conceived or developed by Franchisee, including the right to disseminate the same to all Restaurant franchisees for their use, all without payment of royalties, fees or other compensation by TSSFI, Licensor or other franchisees.

3.13 Uniform Network.

Franchisee understands and acknowledges that the Restaurant and the business carried on there will benefit from being an integral part of a network of similar Restaurants in a variety of locations, utilizing the Shihlin System in a uniform manner, providing uniform products and services with uniform equipment and with personnel of uniform skill and training. Franchisee acknowledges that the interests of the Shihlin System and Network are vital to the success of each franchisee, and that each franchisee has an obligation to promote and further the Shihlin System and Network to the fullest extent possible. Franchisee agrees to adhere to TSSFI and Licensor standards, specifications and requirements concerning the Marks, the Shihlin System and the TSSFI Network as specified by TSSFI from time to time in its Manuals including, without limitation, the offering of any new Business Services, the elimination of any previously specified Business Services, and the operation of the Restaurant as an integral part of the TSSFI Network, cooperating and complementing other Restaurants thereof.

3.14 Responsibility for Costs and Expenses.

Franchisee will be solely responsible for and shall pay, promptly when due, all costs, expenses, obligations and indebtedness of or in any way rising out of or in connection with the Restaurant and the establishment and operation thereof, including all amounts due to the landlord or suppliers of the Restaurant and taxes, assessments and other levies, charges and impositions of any kind of any governmental or regulatory body.

3.15 Compliance with Law.

Franchisee shall, in the establishment and operation of the Restaurant, comply, at Franchisee's sole expense, with all applicable statutes, ordinances, regulations, orders and other enactments or requirements of all governmental or regulatory bodies including obtaining any licenses or permits required by any law.

3.16 Indemnification.

Franchisee shall indemnify TSSFI, its affiliates (including the Affiliate), and their respective officers, directors and employees and hold them harmless from and against any liability or responsibility for any matter for which Franchisee is responsible under this Section 3.16 or otherwise under this Agreement, and from and against any loss, liability, claims, demands, damages, charges, costs or expenses of any kind whatsoever, including attorneys' fees, arising directly or indirectly out of or in connection with any such liability or responsibility, or otherwise out of or in connection with the establishment and operation by Franchisee of the Restaurant, including but not limited to any such matters arising directly or indirectly out of or in connection with any injury to or death of persons or damage to or loss of property or as a result of breach of this Agreement.

Franchisee will notify TSSFI in writing within ten (10) days of becoming aware of the filing or existence of any lawsuit, claim, arbitration or administrative proceeding by any third party (including but not limited to employees, former employees, customers, suppliers, landlords, creditors, competitors or others) against Franchisee or TSSFI or the Affiliate relating to or arising out of the operation of the Franchised Business, regardless of the nature of the lawsuit, claim, arbitration or proceeding and regardless of whether the right to indemnification under this Section 3.16 would apply.

3.17 Insurance.

In addition to any insurance required of Franchisee by the lease or sublease of the Premises, and without limiting its obligations under Section 3.16, Franchisee shall procure and maintain in effect throughout the term of this Agreement insurance coverage issued by companies admitted and licensed to do business in the state where the Premises are located; satisfactory to TSSFI; and having a Best’s rating of not less than B+:VI. No such policy shall include a property or liability deductible of more than Five Thousand Dollars ($5,000.00) per occurrence. The policy or policies for Comprehensive or Commercial General Liability insurance, and for Employment Practices Liability insurance required below shall each include an endorsement naming TSSFI, its affiliates (including the Affiliate), and their respective officers, directors and employees as additional insureds on a primary basis and providing for severability of interests so that the acts of Franchisee shall not be imputed to the TSSFI, its affiliates (including the Affiliate), and their respective officers, directors and employees. Franchisee’s insurance policy or policies shall provide at least the following coverage for each franchised location subject to change by way of modified requirements in the Manual:

(a) Comprehensive or Commercial General Liability insurance providing the following Combined Single Limit of liability for bodily injury and property damage and covering the following exposures on a per location basis:

(i) Premises/Operations Liability: One Million Dollars ($1,000,000.00) per occurrence and Two Million Dollars ($2,000,000.00) aggregate per location; and

(ii) Products/Completed-Operations Liability: One Million Dollars ($1,000,000.00) per occurrence and Two Million Dollars ($2,000,000.00) aggregate per location.

(b) Special Form (formerly called "All Risk") Property and Business Income/Interruption insurance providing:

(i) Property insurance covering the full replacement cost of all of Franchisee's improvements, furnishings, equipment and inventory used in the Franchised Business. In addition, all items leased under the Decor Lease to the Franchisee shall be insured for the value of the items as stated in the lease and shall name the Affiliate as the loss payee.

(ii) Business Income/Interruption insurance (including Extra Expense) covering the actual loss sustained without any dollar limit, for not less than twelve (12) months.

(c) Employment Practices Liability insurance: Five Hundred Thousand Dollar ($500,000.00) limit (with no co-insurance) for each claim and in the aggregate a retention cannot exceed Ten Thousand Dollars ($10,000.00) per claim unless approved by TSSFI. This insurance must include third party coverage to include claims brought by persons other than employees. Franchisee shall maintain and retain the required Employment Practices Liability Insurance for at least twelve (12) months after Franchisee discontinues operating the Franchised Business.

(d) Such other insurance as may be required by any laws, including but not limited to Workers' Compensation insurance with statutory limits and Employers Liability insurance with a limit for Bodily Injury by Accident of One Million Dollars ($1,000,000.00) for each accident and a limit for Bodily Injury by disease of One Million Dollars ($1,000,000.00) for each employee.

Franchisee shall supply TSSFI with Certificates of Insurance currently in force, which shall reflect at least the above coverage, and shall also provide: (1) A copy of the schedule of forms and endorsements comprising the policy, and (2) Copies of the endorsements naming TSSFI, its affiliates (including the Affiliate), and their respective officers, directors and employees as additional insureds where required. All Certificates of Insurance shall provide that the insurance shall not be canceled or reduced in limits or scope of coverage except after at least thirty (30) days written notice by the insurer to Franchisee and TSSFI. Any conditional language on the Certificate purporting to limit the obligation or liability of the insurer relating to this notice requirement shall be unacceptable and shall be stricken. If Franchisee fails to provide the required certificates, either initially or upon renewal, TSSFI may, but shall not be obligated to obtain such insurance and Franchisee shall reimburse TSSFI for the cost thereof upon demand.

All required insurance policies shall be renewed annually and new Certificates of Insurance and copies of endorsements as required above shall be provided to TSSFI not less than thirty (30) days prior to expiration of each policy.

Franchisee understands and acknowledges that TSSFI may, on notice and in its sole discretion, raise, lower or otherwise change the amounts and types of insurance required under this Section 3.17 and Franchisee shall comply with such changed requirements upon expiration of the policies in force at the time TSSFI gave notice of the changes but in no event later than sixty (60) days after such notice.

3.18 Encumbrances.

During the term of this Agreement, except with the written consent of TSSFI, Franchisee shall not mortgage, pledge or otherwise assign as security, this Agreement, the Restaurant or any part thereof, or any furniture, fixtures, furnishings, equipment, signs, decor or leasehold improvements located thereon, or any interest which Franchisee may have in any part thereof.

3.19 Point of Sale and Computer Systems.

(a) Franchisee must record and process all sales using a point of sale ("POS") system designated or approved by TSSFI or meeting specifications issued by TSSFI, including but not limited to the capacity to record sales transactions by dollar amount, product category and quantity, calculate applicable tax, provide daily totals, and process credit card, debit card and gift card transactions through a DSL or faster connection. Franchisee may not accept payment via any system which is not auditable or to which TSSFI does not have full administrative access. TSSFI reserves the right to require Franchisee to use other computer systems (such as those for office and administrative functions) meeting TSSFI specifications. TSSFI has the right to require that such computer system be fully compatible with the TSSFI designated POS system, computer systems and information systems, which may include central servers, Intranets or other technology as TSSFI may develop in the future. TSSFI has the right to require Franchisee to implement a scanner system that allows customers to redeem coupons or loyalty program rewards with their smart phone or similar technology, or to pay through digital media. Without limiting the foregoing, TSSFI may require the use of an information interface capability through which Franchisee's POS system and other computer system communicate electronically with TSSFI designated computer or information system, and through which TSSFI can access data used or stored in Franchisee's POS or other computer systems. TSSFI may require Franchisee to obtain, maintain and upgrade as needed in TSSFI sole discretion an Internet connection meeting TSSFI specifications, as may be modified from time to time, that will permit and facilitate high speed, secure and reliable communications between Franchisee's point of sale systems, computer systems and other information systems and TSSFI computer systems and information systems.

(b) Franchisee must maintain a high speed wireless Internet connection at its Restaurant and make it available to customers as required by TSSFI. TSSFI shall supply specifications for minimum acceptable Internet connectivity speeds and duration of customer accessibility, which may be modified from time to time by TSSFI.

3.20 Audit Rights, Recordkeeping & Reporting.

(a) Recordkeeping. Franchisee shall throughout the term hereof, maintain and preserve at the Premises full, complete and accurate books, records and accounts of the Restaurant, and supporting data, all in accordance with generally accepted accounting principles and utilizing accounting records and systems as are, from time to time, approved by TSSFI. All records and reports required by this Agreement shall be in accordance with the system of accounting as contained in the Manuals.

(b) Audit. TSSFI shall have the right at any time during business hours, and without prior notice to Franchisee to inspect and audit, or cause to be inspected and audited, the books, records and financial statements, sales and income tax records and returns and other records of the Restaurant and the books and records of any corporation or partnership that holds the franchise. TSSFI's right to audit shall include the right to access any computer systems or digital information directly or remotely. Franchisee shall fully cooperate with representatives of TSSFI and independent accountants hired by TSSFI to conduct any such inspection or audit. In the event that any such inspection or audit shall disclose an understatement of Gross Revenue in any statements or reports submitted by Franchisee by two percent (2%) or more, then the cost of the audit, including without limitation, the charges for any certified public accountant(s) and the travel expenses, room, board and compensation of TSSFI employees connected with the audit shall be borne by Franchisee and the deficiency shall become immediately due and payable with interest payable as provided in Section 3.7(a) above. The foregoing remedy shall be in addition to any other rights TSSFI may have, including, but not limited to, the right to terminate this Agreement. An understatement of Gross Revenue in any report submitted by Franchisee to TSSFI by two percent (2%) or more shall be grounds for immediate termination of this Agreement.

(c) Third Party Information. TSSFI shall have the right to access information about Franchisee maintained by third parties such as food delivery services (e.g., DoorDash) and vendors and suppliers to Franchisee.

(d) Surveys and Studies. The continuing development, improvement and success of the TSSFI Network, and of each Restaurant, requires meaningful, timely and accurate information concerning all functions and aspects of the business. In order that the Shihlin System can be fully evaluated and improved and benefit all franchisees thereof, Franchisee agrees to prepare and forward to TSSFI, at times specified and on forms supplied by TSSFI, information that TSSFI may require for its use in preparing studies and surveys relating to the Restaurants, the System and the Network.

(e) _____________. Franchisee understands and acknowledges that TSSFI has the right to share any and all data and information about Franchisee's Restaurant with Licensor.

3.21 Right of Entry.

Franchisee shall permit TSSFI and its agents the right to enter upon the Premises at all times during regular business hours for the purpose of examining the books, records and financial statements, conducting inspections, on-site market surveys and studies. Franchisee shall cooperate with TSSFI representatives in these examinations and inspections; and, upon notice from

TSSFI or its agents, and without limiting TSSFI other rights under this Agreement, shall take all necessary steps to promptly correct any deficiency detected during the inspection, including, without limitation, immediately desisting from offering and selling any disapproved product or service, or using advertising materials that do not conform with TSSFI then-current specifications or standards.

4. ARTICLE 4. TSSFI OBLIGATIONS

4.1 Pre-Opening Services and Forms.

TSSFI shall assist Franchisee and perform activities in connection with the establishment of the Restaurant as follows:

(a) Site Selection Advice: Premises Specification. TSSFI will advise and consult with Franchisee in selecting an appropriate location for the Restaurant and will provide a nonstructural floor plan for the planning, designing and construction of improvements to the Premises, as provided in Section 3.9. TSSFI makes no representations, guarantees or warranties, either express or implied, regarding the profitable operation of Franchisee's Restaurant as a result of any site selection advice.

(b) Initial Training. TSSFI shall provide in connection with the establishment, management and operation of the Restaurant management training lasting three weeks and comprised of training in administration and operations of a Restaurant. The training program shall be attended by Franchisee and, at Franchisee's option, one manager designated by Franchisee. If Franchisee chooses to have additional managers trained, Franchisee shall pay TSSFI the sum of Two Thousand Dollars ($2,000) per week for up to two (2) additional managers. Franchisee shall pay all expenses of travel, room, board and wages incurred by its trainee(s). If at any time new persons assume management of the Restaurant pursuant to Section 3.10(e), and TSSFI requires management training as a condition of approval, the new manager(s) must undertake and successfully complete the repeat manager training program provided for in Section 4.2(d) below. Training shall be completed at least one week before Franchisee opens its Restaurant. In any event, Franchisee shall commence operation of the Restaurant only upon successful completion of the training program.

(c) Retraining. In the event that Franchisee or any of its trained managers must attend training a second time, which TSSFI may require for material noncompliance with this Agreement or the specifications of the Manuals, Franchisee must pay Three Thousand Dollars ($3,000) per week per trainee.

(d) Additional Training. In its sole discretion, TSSFI may offer additional training at Franchisee’s Restaurant. In the event of such training, Franchisee shall pay TSSFI the sum of up to Five Hundred Dollars ($500) per workday (up to eight (8) hours per day), plus the travel costs incurred by the trainer sent to Franchisee’s Restaurant by TSSFI.

(e) Manuals. TSSFI shall lend to Franchisee promptly following the completion of Franchisee's initial education and training one complete copy each of TSSFI Manuals, which shall at all times remain the property of TSSFI and be handled as herein provided.

(f) Initial Forms. TSSFI will provide Franchisee with initial copies of financial reporting forms as detailed by TSSFI in its Manuals.

4.2 Support for Restaurant Operations.

Throughout the term of this Agreement, TSSFI shall supply to Franchisee, in support and assistance of Franchisee's operations, the following:

(a) Consultation. TSSFI will make available, at its corporate offices, personnel for consultation, in person or by written or telephone communication, concerning problems and questions arising in the day-to-day operation of Franchisee's Restaurant.

(b) Updates. TSSFI will disseminate periodic supplements and amendments to its Manuals as well as bulletins and other information of general interest to all Franchisees.

(c) Shihlin Restaurant Products; Ordering & Delivery. TSSFI will assist Franchisee with ordering required supplies and products from Licensor and will arrange for delivery of these items to Franchisee. TSSFI will also negotiate with third party suppliers to sell Franchisee products that are required or recommended items for the Restaurant; however, TSSFI shall not be liable to Franchisee for any nonperformance by or the acts or omissions of its designated or approved third party suppliers. TSSFI will use reasonable commercial efforts to negotiate favorable terms with reliable suppliers, but Franchisee understands that TSSFI cannot dictate the pricing, delivery and other terms offered by its third party suppliers or control their performance.

(d) Advertising. TSSFI will supervise the development of advertising, promotional, direct mail and other programs pursuant to the terms of Section 3.4 hereof.

(e) New Product and Service Training. In the event that Franchisee is authorized to offer a new product or service, TSSFI may mandate training prior to Franchisee's offer or sale of such new product or service. Franchisee shall be solely responsible for all travel, room, board and other expenses incurred in connection with such training, including the cost of such training.

4.3 Protection of Marks.

Licensor has taken and will continue to take all steps reasonably necessary to preserve and protect the ownership and validity of the Marks. TSSFI will use, and permit Franchisee and other franchisees to use the Marks only in accordance with the Shihlin System and the standards and specifications attendant thereto which underlie the goodwill associated with and symbolized by the Marks.

5. ARTICLE 5. TERMINATION

5.1 Termination by Franchisee; Opportunity to Cure.

(a) Termination Only for TSSFI Breach. If Franchisee is in substantial compliance with this Agreement and TSSFI materially breaches this Agreement, Franchisee may terminate this Agreement effective ten (10) days after delivery of notice thereof by registered or certified mail, addressed as provided in Section 7.5, if Franchisee gives written notice of such breach to TSSFI and TSSFI does not: (a) correct such failure within sixty (60) days after delivery of such notice; or (b) if such breach cannot reasonably be cured within sixty (60) days after delivery of such notice, undertake within ten (10) days after delivery of such notice, and continue until completion, efforts to cure any such breach. Any termination of this Agreement by Franchisee other than as provided in this Paragraph shall be deemed a termination by Franchisee without cause.

(b) Liquidated Damages. Except as provided in Section 5.1(a), above, Franchisee has no right of early termination of this Agreement. If Franchisee terminates this Agreement except as provided herein, or if Franchisee breaches in a manner which results in TSSFI's termination of this Agreement for cause, the parties agree that TSSFI will be damaged, but that damages may be difficult to quantify as they will involve the loss of future royalties, and that it will take an unknown period of time and substantial effort for TSSFI to find a qualified franchisee to take over, if one can be identified at all within the remaining term of this Agreement. Consequently, the parties agree that in the event of Franchisee's early termination of this Agreement except under Section 5.1(a), above, Franchisee shall pay TSSFI the sum of the average of Franchisee's monthly royalties for the last 12 months, times 24 or the number of months in the remaining term if the remaining term is less than 24 months.

5.2 Immediate Termination.

(a) Immediate Termination. This Agreement shall automatically terminate upon delivery of notice of termination to Franchisee if:

(1) Franchisee or any of its owners fails to locate a site approved by TSSFI in accordance with Section 3.8 of this Agreement or fails to develop the Restaurant in accordance with plans and specifications furnished by TSSFI and to commence operation of business within the time provided in Section 3.10 of this Agreement;

(2) Franchisee fails to complete the training program to the satisfaction of TSSFI;

(3) Franchisee or any of its owners abandons, surrenders or transfers control of the operation of the Restaurant without prior approval of TSSFI;

(4) Franchisee or any of its owners has made any material misrepresentation or omission in the application for the franchise;

(5) Franchisee or any of its owners or affiliates are convicted of or plead no contest to a felony, or other crime or offense that may adversely affect the reputation of TSSFI or the Restaurant or the goodwill associated with the Marks;

(6) Franchisee or any of its owners makes an unauthorized transfer of this Agreement, the franchise, the Restaurant, or an ownership interest in Franchisee;

(7) Franchisee or any of its owners makes any unauthorized use or disclosure of or duplicates any copy of any Confidential Information, makes any unauthorized use of the Marks, or uses, duplicates, or discloses any portion of the Manuals;

(8) Franchisee or its owners becomes insolvent or makes a general assignment for the benefit of creditors, or a petition in bankruptcy is filed by Franchisee, or if such petition is filed against and consented by Franchisee or if Franchisee is adjudicated a bankrupt, or if a bill of equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for the Restaurant or its assets is filed and consented to by Franchisee, or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, or if a proceeding for a competition with creditors under any state or federal law should be instituted by or against Franchisee;

(9) fails for a period of ten (10) days or more after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to Franchisee's operation of the Restaurant;

(10) fails to pay any amount owed to TSSFI or Licensor within five (5) days of receiving written notice that the payment is overdue;

(11) Franchisee deliberately substitutes food products it is required to purchase from a TSSFI-approved supplier with food products purchased from an unapproved supplier without obtaining TSSFI's prior permission;

(12) Franchisee fails to comply with any requirement under this agreement on three (3) or more separate occasions within any period of twelve (12) consecutive months, whether or not any such failure to comply is corrected after notice of default is given; or

(13) Franchisee fails to comply with the same requirement under this Agreement on two (2) or more separate occasions within any period of twelve (12) consecutive months, whether or not any such failure to comply is corrected after notice of default is given.

(b) Termination After Notice of Default. This Agreement shall terminate without further action by TSSFI or notice to Franchisee, if Franchisee or any of its owners:

(1) fails to timely and accurately report the Gross Revenues of the Restaurant or fails to make payments of any amounts due TSSFI for royalty fees, advertising contributions, purchases from TSSFI or its affiliates, or any other amounts due to TSSFI or its affiliates, and does not correct such failure within ten (10) days after written notice of such failure is delivered to Franchisee;

(2) causes or permits to exist default under the lease or sublease for the Premises and fails to cure such default after notice within the applicable cure period set forth in the lease or sublease; or

(3) fails to pay amounts owed to any service provider or vendor of required goods or services;

(4) fails to purchase required products from a specified vendor or uses unauthorized products;

(5) fails to comply with any other provision of this Agreement or any mandatory specification, standard, or operating procedure prescribed by TSSFI and does not: (a) correct such failure within sixty (60) days after written notice of such failure to comply is delivered to Franchisee; or (b) if such failure cannot reasonably be corrected within the aforesaid sixty (60) day period, undertake within ten (10) days after such written notice is delivered to Franchisee, and continue until completion, efforts to bring the Restaurant into full compliance, and furnish proof acceptable to TSSFI upon its request of such efforts and the date full compliance will be achieved.

5.3 Rights and Duties on Termination.

In the event of any termination of this Agreement, whether by reason of action by Franchisee or TSSFI as above provided, or as elsewhere provided in this Agreement, or by the expiration of the term hereof, the parties shall have the following rights and duties:

(a) Cease Operation of Business under System and Marks. All rights and privileges herein granted to Franchisee shall immediately terminate and revert to TSSFI, with all rights and goodwill of the Restaurant pertaining thereto, and Franchisee shall surrender all such rights and privileges, shall cease operation of the Restaurant business using the Shihlin System and Marks in all connections, including any colorable imitation thereof or in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark, logo or other insignia which is likely to cause confusion, mistake or deception or that falsely suggests or indicates a connection or association with TSSFI. Franchisee shall take all action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Mark.

(b) Pay Creditors. Franchisee shall immediately pay all creditors of the Restaurant, including all sums then owing by Franchisee to TSSFI, Licensor or its affiliates.

(c) Vacate Premise or Lease: Offer to Repurchase. Unless termination results solely from the exercise by Franchisee of Franchisee's option as provided in Section 5.1 hereof, TSSFI shall have the option, exercisable by written notice to Franchisee at any time within thirty (30) days from the date of termination hereof, to require that Franchisee vacate the Premises in the event the Affiliate is the master lessee (or to require Franchisee to assign to the Affiliate the leasehold interest of Franchisee in the Premises in consideration of TSSFI assumption of the obligations thereunder in the event Franchisee is the master lessee). If TSSFI exercises this option, TSSFI shall repurchase from Franchisee all furniture, fixtures, furnishings, equipment, signs, decor and inventory owned by Franchisee and used in the operation of the Restaurant at the lower of their fair market value, or the price paid by Franchisee (less depreciation). TSSFI shall in any event, make purchases from Franchisee of inventory and supplies as may be required by applicable law.

(d) Transfer Telephone Privileges and Social Media; Remove Sign; Alterations. Franchisee shall relinquish and take all steps necessary to transfer all right, title and interest in all telephone numbers, listings, all social media pages or accounts operating under or including the Marks, and advertising privileges concurrent therewith, relating to the Franchisee's Restaurant to TSSFI, including every customer communication channel. Franchisee, in the event TSSFI does not exercise its option to require vacation of the Premises (or assignment of the leasehold interest) as provided in subparagraph (c) above, shall also make removals or changes in signs, colors, menu and decor as TSSFI shall reasonably request so to effectively distinguish the Premises from their former appearance and from any other franchised Restaurants and return the Premises to pre-TSSFI condition.

(e) TSSFI Right To Purchase the Restaurant. Upon termination of this Agreement by TSSFI for cause or upon expiration of this Agreement (without renewal), TSSFI shall have the option, exercisable by giving written notice thereof within sixty (60) days from the date of such expiration or termination, to purchase from Franchisee all the assets of the Restaurant. Assets shall include, without limitation, furniture, fixtures, furnishings, equipment, signs, decor, leasehold improvements and the lease for the Premises. TSSFI shall have the unrestricted right to assign this option to purchase. In the event Franchisee owns the Premises, Franchisee shall grant to TSSFI or its assignee a retail lease, in a form acceptable to TSSFI, for a term of ten (10) years. TSSFI or its assignee shall be entitled to all customary warranties and representations in connection with its asset purchase, including, without limitation, representations and warranties as to ownership, condition and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and liabilities inuring to TSSFI or affecting the assets, contingent or otherwise.

The purchase price for the assets of the Restaurant shall be the fair market value, determined in a manner consistent with reasonable depreciation of leasehold improvements owned by Franchisee and the furniture, fixtures, furnishings, equipment, signs, decor and inventory of the Restaurant, provided that the purchase price shall not contain any factor or increment for any trademark, service mark or other commercial symbol used in connection with the operation of the Restaurant, and further provided that TSSFI may exclude from the assets purchased hereunder any furniture, fixtures, furnishings, equipment, signs, decor and inventory that are not approved as meeting quality standards for Restaurants. The length of the remaining term of the lease or sublease for the Premises of the Restaurant shall also be considered in determining the fair market value hereunder. If TSSFI and Franchisee are unable to agree on the fair market value of the assets, the fair market value shall be determined by an independent appraiser selected by TSSFI and Franchisee, and if they are unable to agree on an appraiser, TSSFI and Franchisee shall each select one appraiser, who shall select a third appraiser, and the fair market value shall be deemed to be the average of the three (3) independent appraisals.

The purchase price shall be paid in cash at the closing of the purchase, which shall take place no later than ninety (90) days after receipt by Franchisee of TSSFI notice to exercise this option to purchase, at which time Franchisee shall deliver instruments transferring to TSSFI or its assignee: (1) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to TSSFI or its assignee), with all sales and other transfer taxes paid by Franchisee; and (2) all licenses and/or permits of the Restaurant which may be assigned or transferred. In the event that Franchisee cannot deliver clear title to all of the purchased assets as aforesaid, or in the event there shall be other unresolved issues, the closing of the sale shall be accomplished through an escrow. Further, Franchisee and TSSFI shall, prior to closing, comply with the applicable Bulk Sales provisions of the Uniform Commercial Code of the state where the Restaurant is located. TSSFI shall have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee to TSSFI, and the amount of any encumbrances or liens against the assets. If TSSFI or its assignee exercises this option to purchase, pending the closing of such purchase as hereinafter provided, TSSFI shall have the right to appoint a manager to maintain the operation of the Restaurant. Alternatively, TSSFI may require Franchisee to close the Restaurant during such time period without removing therefrom any assets, provided that the landlord for the Premises approves of such closure. Franchisee shall maintain in force all insurance policies required by this Agreement until the date of closing.

(f) Rights Not Exclusive. The foregoing rights of TSSFI upon termination by reason of breach or default hereunder shall not be exclusive, but shall be in addition to all other rights available to TSSFI under the terms hereof or under applicable law. Termination of this Agreement under any circumstances shall not abrogate, impair, release, or extinguish any debt, obligation, or liability of Franchisee which may have accrued hereunder, including without limitation any debt, obligation, or liability which was the cause of termination. All covenants and agreements of Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

(g) Activities Following Termination. Franchisee acknowledges that the elements comprising the Shihlin System are unique, proprietary and distinctive and have been developed by TSSFI as the result of great expenditures of time, effort and money; that Franchisee has regular and continuing access to valuable trade secret and confidential information; and that Franchisee recognizes its obligation to keep this trade secret and confidential information in confidence pursuant to the provisions of this Agreement. Franchisee therefore agrees as follows:

(i) Nondisclosure. If, prior to its expiration this Agreement is terminated by TSSFI in accordance with the provisions of this Agreement or by Franchisee without cause, or this Agreement expires pursuant to the terms hereof, Franchisee shall (1) immediately cease to use any Confidential Information of TSSFI disclosed to, or otherwise learned or acquired by Franchisee in any business or otherwise; (2) return to TSSFI all copies of the Manuals and any other confidential materials which have been loaned or made available to him or her by TSSFI; and (3) return to TSSFI all customer lists generated and/or used by the Restaurant.

(ii) Competition. Franchisee acknowledges that in addition to the license of the Marks hereunder, TSSFI has also licensed a large body of commercially valuable information including, but not limited to, operations, recipes, marketing, advertising and related materials and that the value of this information derives not only from the time, effort and money which went into its compilation but from the usage of same by all franchisees in the TSSFI Network to develop System goodwill. Franchisee therefore agrees that, unless this Agreement is terminated pursuant to Section 5.1 hereof, in order to foster System loyalty, protect the Restaurants and the System and protect the ability of TSSFI to sell new franchise rights within the Area, neither Franchisee, nor any shareholder or partner of Franchisee (in the event Franchisee is a corporation or a partnership), nor any member of Franchisee's immediate family, will, for a period of one (1) year, commencing on the effective date of termination, or the date on which Franchisee ceases the business conducted pursuant to this Agreement, whichever is later, have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, in any Competitive Business, within ten (10) miles of the location of the Premises (except ownership of securities that are traded on a stock exchange or on the over-the-counter market representing five percent (5%) or less of the equity or voting power of the issuer thereof) or of any other Shihlin premises. It is understood and agreed by Franchisee that the purpose of this covenant is not to deprive Franchisee of means of livelihood, but is rather to protect the goodwill and interests of TSSFI, the Shihlin System and Network of franchised restaurants.

6. ARTICLE 6. TRANSFER AND ASSIGNMENT

6.1 Prior Offering and Consent: Conditions For Approval.

Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee and that TSSFI has granted this franchise in reliance upon the individual character, skill, aptitude, attitude, business ability and financial capacity of Franchisee. Therefore, except as hereinafter provided in Section 6.4 with respect to assignment to a corporation or partnership, neither this Agreement nor the franchise (or any interest therein), nor any part or all of the ownership of Franchisee or the Restaurant (or any interest therein) may be transferred without the prior written approval of TSSFI, and any such transfer without approval shall constitute a breach hereof and convey no rights to or interests in this Agreement, the franchise, Franchisee or the Restaurant. As used in this Agreement the term “transfer” shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift or other transfer by Franchisee (or any of its owners) of any interest in: (1) this Agreement; (2) the franchise; (3) the ownership of Franchisee; or (4) the Restaurant. An assignment, sale, or other transfer shall include the following events: (1) the transfer of any ownership interest in Franchisee or the Franchised Business, whether by transfer of capital stock, partnership interest or otherwise; (2) merger or consolidation or issuance of additional securities representing an ownership interest in Franchisee; (3) any sale of voting stock of or other ownership interest in Franchisee or the sale of any security or debt interest that is convertible to voting stock of or other ownership interest in Franchisee; (4) transfer of an interest in this Agreement, the franchise, Franchisee or the Restaurant in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; or (5) transfer of an interest in this Agreement, the franchise, Franchisee or the revenues, profits, rights or assets of the Restaurant in the event of the death of Franchisee or an owner of Franchisee, by will, declaration of or transfer in trust, or under the laws of interstate succession. If Franchisee is in full compliance with this Agreement, TSSFI shall not unreasonably withhold its approval of a transfer that meets all of the applicable requirements of this Section 6.1. A transfer of ownership of the Restaurant may only be made in conjunction with a transfer of the franchise and this Agreement and a transfer of the franchise or this Agreement may only be made in conjunction with a transfer of the Restaurant and all in all cases the following conditions must be met prior to, or concurrently with, the effective date of the transfer:

(a) Franchisee has complied with the provisions of Section 6.3 below and TSSFI has been given and has declined to exercise the right of first refusal as described in Section 6.3 below; and

(b) The proposed transferee meets TSSFI uniform standards of qualification then applicable with respect to all applicants for a Restaurant franchise including, but not limited to, financial strength, business experience, and other relevant business considerations; and

(c) As of the effective date of the transfer, all obligations of Franchisee under all written contracts and agreements between Franchisee and TSSFI are fully satisfied; and

(d) TSSFI is paid a transfer fee in the amount of the then-current initial franchise fee by the effective date of the transfer to the transferee; and

(e) Prior to the commencement of training, the transferee shall, have signed and agreed to be bound by the then current form of franchise agreement and other ancillary agreements, which shall waive the initial franchise and pre-opening service fees, provide for a term equal to the remaining term hereof and contain other provisions to clarify that it is for a transfer of an existing franchise rather than the sale of a new franchise, and which may provide for higher royalty fees, advertising contributions or expenditures, and different rights and obligations than are provided in this Agreement; and

(f) The transferee must attend and satisfactorily complete the training program provided by TSSFI as provided in Section 4.1(b) prior to the effective date of the transfer; and

(g) Franchisee assigns to the transferee its leasehold interest in the Premises; and

(h) Except to the extent limited by applicable law, Franchisee and its owner(s) have executed a general release, in form satisfactory to TSSFI, of any and all claims against TSSFI and its affiliates, directors, officers, employees and agents; and

(i) Franchisee and its owners must execute a noncompetition agreement in favor of TSSFI and the transferee, agreeing that for a period of one (1) year, commencing on the effective date of transfer, Franchisee, its owners and members of the immediate family of Franchisee or each owner of Franchisee will not hold any direct or indirect interest as a disclosed or beneficial owner in any Competitive Business located or operating within ten (10) miles of the Restaurant (other than other Shihlin Restaurants operated by Franchisee under franchise agreements with TSSFI) or of any other Shihlin premises, or any entity which is granting franchises or licenses or establishing joint ventures for the operation of Competitive Businesses; and

(j) TSSFI shall have approved the material terms and conditions of the assignment, which approval shall not be unreasonably withheld including, without limitation, a determination that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Restaurant by the proposed transferee in compliance with the terms and conditions of the franchise agreement; and

(k) If Franchisee finances any part of the sale price of the transferred interest, Franchisee and/or its owners must agree that all obligations of the transferee under or pursuant to any promissory note, agreements or security interests reserved by Franchisee or its owners in the assets of the Restaurant or the Premises shall be subordinate to: (i) the obligations of the transferee to pay franchise fees, royalty fees, advertising contributions and other amounts due to TSSFI and its Affiliate, and otherwise to comply with this Agreement or the franchise agreement executed by the transferee; and (ii) the collateral security interest of TSSFI in the lease of the Premises.

If the proposed transfer is to or among owners of Franchisee, Subparagraph (d) of the above requirements shall not apply and subparagraphs (j) and (k) shall not apply to transfers by gift, bequest or inheritance.

6.2 Death or Disability.

Notwithstanding the provisions of Section 6.1, in the event of the death or permanent disability of Franchisee or if Franchisee is a corporation or partnership or the owner of a majority interest therein, the executor, administrator, conservator or other personal representative of such person shall transfer Franchisee's interest within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, to a third party approved by TSSFI. This transfer, including, without limitation, transfers by devise or inheritance, shall be subject to all of the terms and conditions contained in Section 6.1 hereof, and the following:

(a) Appointment of Manager. If, within ten (10) days after the death or permanent disability, Franchisee's Restaurant is not being managed by a competent and trained manager, TSSFI is authorized, but is not obligated, to immediately appoint a manager for Franchisee's Restaurant for a period of up to ninety (90) days, terminating when an approved Franchisee-appointed manager or approved transferee can assume the management of Franchisee's Restaurant. In the event that Franchisee does not provide an approved Franchisee-appointed manager or an approved transferee, TSSFI may renew its appointment of an interim manager for additional periods of time, not to exceed ninety (90) days each and one (1) year of consecutive management by TSSFI. TSSFI will discuss matters material to Franchisee's Restaurant with the Franchisee, or Franchisee's representatives, at least once per quarter during any period of management. TSSFI appointment of an interim manager of the Restaurant pursuant to this Section shall not relieve Franchisee of any obligations under this Agreement and TSSFI shall not be liable for any debts, losses, costs or expenses incurred in the operation of the Restaurant or to any of Franchisee's creditors for any products, materials, supplies or services purchased by the Restaurant during any period during which it is managed by a manager appointed by TSSFI. TSSFI will charge Franchisee a management fee equal to the manager's salary plus ten percent (10%) of the manager's salary. TSSFI may cease to provide such management services at any time and, upon Franchisee's request, shall account for revenues and expenditures of the Restaurant during any period in which TSSFI provides such services.

6.3 Right of First Refusal.

In the event Franchisee desires to make any sale, assignment or other transfer referred to in Section 6.1, Franchisee shall notify TSSFI of this intention before extending any offer or making any arrangements to sell, assign or transfer. Upon receipt of any bona fide offer and before unconditionally accepting any bona fide offer for any sale, assignment or transfer, Franchisee will submit an exact copy of the written offer or writings encompassing such offer to TSSFI, or if not in writing, Franchisee will submit to TSSFI in writing all of the terms and conditions of such offer fully and accurately, including the identity of the purchaser. TSSFI shall have the right, exercisable by written notice delivered to Franchisee, to accept this offer on equal terms and price at any time within thirty (30) days following receipt by TSSFI of the offer or terms and conditions of the offer in writing as provided above. If TSSFI does not exercise its right of first refusal, Franchisee may complete the proposed sale, assignment or other transfer pursuant to and on the terms of the offer, and in compliance with all provisions of Section 6.1. In the event the sale, assignment or other transfer is not completed within sixty (60) days after delivery of the information about the offer to TSSFI as required above, or if there is a material change in the terms of the sale, assignment or other transfer after the delivery of the required information to TSSFI, TSSFI right of first refusal and the process and time periods required above shall be initiated again.

6.4 Assignment to Franchisee Entity.

Notwithstanding Section 6.1, Franchisee may assign and delegate this Agreement and Franchisee's rights and obligations hereunder to a corporation, limited liability company or partnership ("entity") organized by Franchisee solely for the purpose of operating the Restaurant provided that Franchisee retains ownership and control of at least fifty-one percent (51%) of the equity and voting power of the entity, and further provided that:

(a) The shareholders, members or partners are all identified to and approved by TSSFI; and

(b) The articles of incorporation, articles of partnership, limited liability formation and operating agreements, partnership agreement, bylaws or other organizational documents of the entity shall recite that the issuance and assignment of any interest therein is restricted by the terms of Sections 6.1 and 6.3 of this Agreement, and in the case of a corporation, all issued and outstanding stock certificates of the corporation shall bear a legend reflecting or referring to the restrictions of Sections 6.1 and 6.3 in a form satisfactory to counsel for TSSFI; and

(c) Each shareholder, officer, director, member or partner of Franchisee shall execute an agreement in form attached to this Agreement as Exhibit 2 undertaking to be bound jointly and severally by the provisions of this Agreement; and

(d) The parties will document the assignment by entering into a form of assignment as approved by TSSFI; and

(e) The entity shall furnish to TSSFI at any time upon request, in form as TSSFI may require, a list of all shareholders, members, directors, officers or partners of Franchisee reflecting their respective interests in and positions with Franchisee; and

(f) The entity shall at no time engage, directly or indirectly, in any Competitive Business or in any similar business activity other than those directly related to the operation of Franchisee's Restaurant, pursuant to all terms and conditions of this Agreement, including, but not limited to Section 3.10(e); and

(g) TSSFI shall be given written notice of the assignment and delegation, and upon compliance with the foregoing, the entity shall have all of said rights and obligations, and the term "Franchisee" as used herein shall refer to the corporation, limited liability company or partnership.

6.5 Consent Does Not Constitute Waiver.

TSSFI consent to an assignment or transfer of any interest subject to the restrictions of this Article 6 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of TSSFI right to demand exact compliance with any of the terms or conditions hereof by transferee.

6.6 Transfer or Assignment By TSSFI.

This Agreement is fully assignable by TSSFI and shall inure to the benefit of any assignee or other legal successor to the interest of TSSFI herein.

7. ARTICLE 7. ADDITIONAL LIMITATIONS AND PROVISIONS

7.1 Independent Status.

This Agreement and the activities pursuant hereto do not and will not be deemed to create any relationship between TSSFI and Franchisee or any other party of agency, partnership, joint venture or employment, or any other relationship except that of franchisor and franchisee. Franchisee is and shall be solely an independent contractor and shall at no time act or represent itself to be acting in any other capacity. Without limiting the foregoing, Franchisee shall not incur any obligation or indebtedness on behalf of TSSFI; shall only contract or otherwise incur any obligation or indebtedness only in Franchisee's own name, which, if Franchisee is a corporation or partnership, shall at no time include TSSFI name or Marks or any part thereof, or be so similar thereto so as to be in any way misleading; and Franchisee shall otherwise comply with the provisions of Section 3.11 hereof.

7.2 Construction; Whole Agreement; Amendments.

This Agreement contains the entire understanding of the parties, except for such additional agreements and understandings as may, concurrently herewith or hereafter be set forth in written agreements executed by both parties hereto. This Agreement shall be effective only when executed by a duly authorized representative of TSSFI, and no amendment or addition hereto shall be effective unless in writing, executed by a duly authorized representative of TSSFI and by Franchisee.

Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. Except where this Agreement expressly obligates TSSFI to reasonably approve or not unreasonably withhold its approval of any action or request by Franchisee, TSSFI has the absolute right to refuse any request by Franchisee, or to withhold its approval of any action or omission by Franchisee. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs. The term "attorneys' fees" shall include, without limitation, reasonable legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand or claim, action, hearing or proceeding to enforce the obligations of this Agreement. The term "member of the immediate family" as used herein refers to parents, spouses, offspring and siblings and their spouses, and the parents and siblings of spouses. References to a "controlling interest" in Franchisee shall mean more than fifty percent

(50%) of the voting control of Franchisee if Franchisee is a corporation, and any general partnership interest if Franchisee is a partnership. The term "Franchisee" as used herein is applicable to one or more persons, a corporation or a partnership, as the case may be. The singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to TSSFI shall be joint and several. This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

Nothing in this or any related agreement, however, is intended to disclaim the representations TSSFI made in the franchise disclosure document that TSSFI furnished to Franchisee.

7.3 No Representations or Warranties.

Franchisee specifically recognizes and acknowledges that the success of the business venture contemplated by this Agreement depends largely upon the abilities of Franchisee as an independent business person, as well as other factors, such as market and economic conditions beyond the control of TSSFI and Franchisee. Franchisee acknowledges entering into this Agreement only after making a thorough, independent investigation of TSSFI operations and program and the competitive market thereof, and not upon any representation, whether as to sales or profits which Franchisee might expect to realize or otherwise. Franchisee acknowledges that there has been no representation or warranty not expressly stated in this Agreement made by TSSFI or any representative thereof or any other person on its behalf, regarding the potential success of Franchisee's business, or otherwise.

7.4 Severability; Additional Assurances.

Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, that provision shall be deemed restricted in application to the extent required to render it valid and the remainder hereof shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of the invalid, illegal or unenforceable provision. If any of the provisions of this contract are inconsistent with applicable state law, then the state law shall apply. Each party agrees to execute and deliver to the other any further documents that may be reasonably required to fully effectuate the provisions hereof. To the extent that either Sections 3.10(d), 3.10(e) or 5.3(g)(ii) is deemed unenforceable by virtue of its scope of area, prohibited business activity or length of time, but may be made enforceable by reductions of any or all provisions thereof, Franchisee and TSSFI agree that Sections 3.10(d), 3.10(e) or 5.3(g)(ii) shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. Although printed provisions of this Agreement were prepared by TSSFI, this Agreement shall not be construed either for or against TSSFI or Franchisee, but shall be construed in accord with the general tenor of the language to reach a fair and equitable result.

7.5 Notices.

All notices required or permitted hereunder shall be in writing, shall be deemed to have been given when received, and shall be personally delivered to or sent by registered or certified U.S. mail, return receipt requested, addressed as follows:

To Franchisee: ______________________________________
____
____
____

To TSSFI: Mr. Jason Shiao, CEO
TAIWAN STREET SNACKS FRANCHISE, INC.
522 Barber Lane
Milpitas, California 95035

Either party may change the address for notices by written notice to the other in accordance with the foregoing.

7.6 Costs and Attorneys' Fees.

In any legal action or arbitration proceeding between the parties arising out of or related to this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including reasonable accounting and legal fees.

7.7 Successors and Assigns.

Subject to the above provisions concerning assignments and transfers by Franchisee, this Agreement shall inure to the benefit of and be binding upon the successors, assigns and legal representatives of the parties hereto.

7.8 Headings.

The subject headings of the paragraphs and subparagraphs of this Agreement are included for the purpose of convenience only, and shall not affect the construction or interpretation of any of its provisions.

7.9 Arbitration and Mediation.

(a) All controversies, disputes or claims arising between TSSFI and Franchisee (including any claim against TSSFI officers, directors, agents, employees, licensors, licensees, independent contractors or consultants in their capacity as such, or against the owners and guarantors of Franchisee, if applicable) in connection with, arising from, or with respect to: (1) any provision of this Agreement or any other agreement between the parties related to this Agreement; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties related to this Agreement, or any provision thereof; or (4) any specification, standard or operations procedure relating to the establishment or operation of the Shihlin Restaurant (except controversies, disputes or claims relating to the Marks or any lease or sublease of real estate) shall be submitted for mediation to Judicial Arbitration and Mediation Services ("JAMS") or such other dispute resolution service agreed upon by the parties for mediation. If JAMS or such other dispute resolution service is unable to successfully resolve any dispute, the dispute shall be resolved by arbitration through the services of JAMS, under the laws, and in such jurisdiction as set forth in Section 7.10.

(b) Arbitration shall be binding and shall be conducted by one arbitrator according to JAMS' then-currrent commercial arbitration rules. The arbitrator has the right to award any relief he or she deems proper, provided that the arbitrator may not declare any trademark licensed to Franchisee generic or otherwise invalid or award punitive, exemplary or treble damages against either party or permit a class action or claim.

(c) TSSFI may enforce by judicial process any right TSSFI may have to possession of the Restaurant under this Agreement or any sublease or collateral conditional assignment of lease with Franchisee. Further, TSSFI has the right to seek preliminary and permanent injunctive relief prohibiting unauthorized use or infringement of any of the Marks or unauthorized use of any licensed software program or copyrighted material or other confidential information, in any court of competent jurisdiction under customary equity rules, without submitting the dispute to mediation. Franchisee agrees that TSSFI will have the right to seek any provisional remedy, including preliminary injunctive relief necessary to enforce this Agreement or the termination hereof or to restrain conduct by Franchisee in the operation of the Restaurant that could materially damage the goodwill associated with the Marks and the reputation of Shihlin Restaurant without prior submission of the claim to mediation or pending the outcome of any mediation commenced. Franchisee agrees that TSSFI will not be required to post a bond to obtain any injunctive relief and that Franchisee's only remedy if an injunction is entered against Franchisee will be the dissolution of that injunction. It is agreed that either party may seek injunctive relief to prohibit a wrongful termination of this Agreement by the other party without first submitting the dispute to mediation.

7.10 <u>Governing Law; Jurisdiction</u>.

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other applicable state law, this Agreement shall be construed in accordance with, and governed by, the laws of the State of California. If a claim is asserted in any legal proceeding, Franchisee irrevocably submits to venue in Santa Clara County.

7.11 <u>Jury Trial Waiver</u>.

TSSFI AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM.

7.12 <u>Limitations of Actions</u>.

Any and all claims arising out of this Agreement or the relationship of Franchisee and TSSFI in connection with Franchisee's operation of the Restaurant must be made within one (1) year from the occurrence of the facts giving rise to such claims or within ninety (90) days from either the actual discovery of the facts giving rise to such claims or from the date on which

Franchisee should have, in the exercise of reasonable diligence, discovered such facts. A submission of the claim to non-binding mediation under Section 7.11(i) above shall operate to stay the limitation period until 15 days after the conclusion of that mediation proceeding.

7.13 Waiver of Punitive Damages.

TSSFI AND FRANCHISEE (AND ITS OWNERS AND GUARANTORS, IF APPLICABLE), HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

[Signature page follows]

FRANCHISOR

Taiwan Street Snacks Franchise, Inc. ("TSSFI")

By: ______________________________
(Signature)

Title: ____________________________

Date: ____________________________

FRANCHISEE

____
(Name of Entity)

By: ______________________________
(Signature)

Title: ____________________________

Date: ____________________________

FRANCHISEE

____
(Print Name)

By: ______________________________
(Signature)

Date: ____________________________

EXHIBIT 1 TO SHIHLIN RESTAURANT FRANCHISE AGREEMENT

The Premises and Designated Area at which the Restaurant will be operated in accordance with Section 2.1 is:

____

____

____

The Designated Area referred to in subparagraph (d) of Section 2.1 shall be:

____

____

____

The Designated Operator of the Restaurant is:

____

FRANCHISOR	**FRANCHISEE**
Taiwan Street Snacks Franchise, Inc. ("TSSFI")	____________________ (Name of Entity)
By: ____________________ (Signature)	By: ____________________ (Signature)
Title: ____________________	Title: ____________________
Date: ____________________	Date: ____________________
	FRANCHISEE
	____________________ (Print Name)
	By: ____________________ (Signature)
	Date: ____________________

EXHIBIT 2 TO SHIHLIN RESTAURANT FRANCHISE AGREEMENT

<u>Guaranty and Assumption of Franchisee's Obligations</u>

In consideration of, and as required by Section 6.4(c) of the above Franchise Agreement (the "Agreement") each of the undersigned hereby personally and unconditionally:

(1) guarantees to Taiwan Street Snacks Franchise, Inc. ("TSSFI") and its successors and assigns, for the term of the Agreement including renewals thereof, that ____________________ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

(2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives the following:

(1) acceptance and notice of acceptance by TSSFI of the foregoing undertakings; and

(2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and

(3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and

(4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and

(5) any and all other notices and legal or equitable defenses to which he or she may be entitled, including defenses arising by reason of California Civil Code Sections 2806 through 2855.

Each of the undersigned consents and agrees that:

(1) his or her direct and immediate liability under this guaranty shall be joint and several; and

(2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; and

(3) such liability shall not be contingent or conditioned upon pursuit by TSSFI of any remedies against Franchisee or any other person; and

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which TSSFI may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof.

WITNESS	GUARANTOR(S)	%
______________________ (Signature)	______________________ (Signature)	______
______________________ (Print Name)	______________________ (Print Name)	
______________________ (Date)	______________________ (Date)	
______________________ (Signature)	______________________ (Signature)	______
______________________ (Print Name)	______________________ (Print Name)	
______________________ (Date)	______________________ (Date)	
______________________ (Signature)	______________________ (Signature)	______
______________________ (Print Name)	______________________ (Print Name)	
______________________ (Date)	______________________ (Date)	

EXHIBIT 3 TO SHIHLIN RESTAURANT FRANCHISE AGREEMENT

Confidentiality Agreement

In consideration of my [employment/continued employment] by ____ ("EMPLOYER") and other good and valuable consideration, receipt of which is acknowledged, I acknowledge and agree that:

1. EMPLOYER is the franchisee of a Shihlin Restaurant Business pursuant to a franchise agreement with Taiwan Street Snacks Franchise, Inc. ("FRANCHISOR"). FRANCHISOR has developed certain information of a confidential, proprietary or trade secret nature that gives FRANCHISOR and EMPLOYER a competitive edge in their businesses. For purposes of this Agreement, all such confidential, proprietary or trade secret information will be referred to as "Confidential Information." Confidential Information includes without limitation: (1) methods and procedures for the establishment and operation of food establishments known as "Shihlin Restaurant"; (2) methods, techniques, specifications, procedures, information, systems, and knowledge of and experience in the development, operation and franchising of Shihlin Restaurant businesses; (3) marketing programs; (4) client lists and employee lists; and (5) patterns, computer programs, marketing and sales plans, product development plans, competitive analyses, business and financial planner forecasts, non-public financial information, agreements, and information that FRANCHISOR has a legal obligation to treat as confidential or which FRANCHISOR treats as proprietary or designates as confidential.

2. As an employee of EMPLOYER, I will receive valuable Confidential Information, disclosure of which would be detrimental to EMPLOYER, FRANCHISOR and its franchisees, and other Shihlin Restaurant businesses. I will not use trade secret information that I have learned from previous employers in connection with EMPLOYER's business.

3. I will hold in strict confidence the Confidential Information and any other information designated by EMPLOYER or FRANCHISOR as confidential. I will not disclose any portion or all of the Confidential Information to non-Shihlin Restaurant employees or to employees who are not authorized to have access to the Confidential Information, and I will use it only in connection with my duties as an employee of EMPLOYER as may be necessary in the ordinary course of performing my duties for EMPLOYER or otherwise as directed by EMPLOYER, unless EMPLOYER otherwise agrees in writing. My promise not to disclose the Confidential Information is a condition of my employment by EMPLOYER and continues even after I leave the employ of EMPLOYER.

4. I agree that I will not compete with EMPLOYER or FRANCHISOR during the time that I am employed by or am an agent of EMPLOYER. More specifically, I agree that during that time I will not do any of the following things for myself or for anyone else: (a) encourage customers to do business with any competitor of EMPLOYER; (b) acquire an interest in, or promote, aid or assist, any business that is of the same general type as a Shihlin Restaurant; (c) encourage employees or agents of EMPLOYER to quit their jobs or

agency relationships with EMPLOYER or to encourage employees or agents to encourage customers to do business with any competitor of EMPLOYER or to encourage employees or agents to acquire an interest in, or promote, and or assist, any business that is of the same general type as EMPLOYER's. I agree that my obligation in (c) directly above shall continue beyond the termination date of my employment or agency for an additional period of one (1) year.

5. FRANCHISOR is a third-party beneficiary of this Agreement and may enforce it. My violation of this Agreement will cause FRANCHISOR and EMPLOYER irreparable harm; therefore, I acknowledge and agree that EMPLOYER and/or FRANCHISOR may apply for the issuance of an injunction preventing me from violating this Agreement and agree to pay EMPLOYER and/or FRANCHISOR all the costs incurred, including attorneys' fees, if this Agreement is enforced against me. I agree that EMPLOYER and/or FRANCHISOR may also seek a judgment against me for money damages that result from my violation of those duties if EMPLOYER and/or FRANCHISOR is able to prove the amount of those damages. Due to the importance of this Agreement to EMPLOYER, any claim I have against EMPLOYER is a separate matter and does not entitle me to violate, or justify any violation of this Agreement. If any part of this Agreement is held invalid by a court or agency, the rest of the Agreement is still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency.

6. This Agreement has been negotiated, prepared, executed and delivered in several jurisdictions, including the State of California, United States of America. Accordingly, in order to establish with certainty that this Agreement will be governed by one body of well-developed commercial law, the parties hereto have expressly agreed that this Agreement shall be governed by, and construed in accordance with, the laws of the State of California applicable to contracts executed and fully to be performed therein, to the exclusion of any other applicable body of governing law including, without limitation, the United Nations Convention on Contracts for the International Sale of Goods. In the event that either party commences a legal action pursuant to this Agreement, the parties hereto agree that the federal and state courts located in the County of Santa Clara, State of California, shall have exclusive jurisdiction over any such action.

7. Upon termination of my employment, I will surrender all records and material relating to the business of EMPLOYER.

8. I am aware of no prior obligations that would prevent my compliance with the terms and spirit of this Agreement.

9. This Agreement shall be binding upon me and my heirs, executors, administrators and assigns. EMPLOYER shall have the right to assign this Agreement to any successor to the business in which I am employed.

10. I understand that I may conceive of or develop ideas and inventions related to EMPLOYER's or FRANCHISOR's business during or for purposes of my employment. Such information and inventions that I conceive or develop pertaining to EMPLOYER's or FRANCHISOR's business are the sole property of FRANCHISOR and are FRANCHISOR's Confidential Information. I agree to disclose promptly to EMPLOYER

and/or FRANCHISOR all inventions, ideas or conceptions, developments and improvements (whether or not patentable or subject to copyright) which are made or conceived by me, either alone or together with others, during or as a result of my employment, provided that they pertain to EMPLOYER's and/or FRANCHISOR's business. I will keep complete records of such matter and will and hereby do assign such matter to FRANCHISOR whether or not it has been tested or reduced to practice. All such records are and shall be the property of FRANCHISOR alone.

Upon request of FRANCHISOR, either during or after my employment, I will assist in applying for Letters Patent or for copyright on all such inventions and ideas made or conceived by me, and I will execute all papers necessary thereto, including assignments as may be requested by EMPLOYER, without further compensation to me.

This Agreement does not apply to an invention which qualifies fully under the provisions of Section 2872 of the Labor Code of California as an invention for which no equipment, supplies, facility, or trade secret information EMPLOYER was used and which was developed entirely on my own time, and which does not relate to EMPLOYER's or FRANCHISOR's business or to EMPLOYER's or FRANCHISOR's actual or demonstrably anticipated research or development, or which does not result from any work I performed for EMPLOYER.

11. This Agreement shall be construed under the laws of the State of California. The only way this Agreement can be changed is in writing signed by EMPLOYER, FRANCHISOR and me.

EMPLOYER	**EMPLOYEE**
______________________________	______________________________
(Name of Entity)	(Print Name)
By: ___________________________	By: ___________________________
(Signature)	(Signature)
Title: _________________________	Date: _________________________
Date: _________________________	

EMPLOYER

____

(Print Name)

By: ___________________________

(Signature)

Date: _________________________

NOTICE

Attention: Employees

California Labor Code 2872 requires this Agreement to provide you with written notification as to certain of your inventive rights. This notification must include the fact that the agreement to assign invention cannot apply to an invention with qualifies fully under Section 2870 of the California Labor Code. Section 2870 of the California Labor Code provides:

"(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."

Print Name: ___________________________

By: ___________________________________
(Signature)

Date: ________________________________

EXHIBIT 4 TO SHIHLIN FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF LEASE

The lease that is assigned herein (the "Lease") is identified as follows:

Landlord:	____ ("Landlord")
Tenant:	____
Date:	_______________, 20___
Premises:	____ ("Premises")

1. This Conditional Assignment of Lease (this "Assignment") is made pursuant to the terms of that certain Franchise Agreement of even date herewith (hereinafter called the "Agreement") by and among Franchisor (hereinafter "Assignee"), Franchisee (hereinafter "Assignor") and Landlord, with respect to the Lease for the Premises used by Franchisee in the operation of the Restaurant in the Designated Area covered by the Agreement. Nothing in this Assignment shall be deemed to make Landlord a party to the Agreement.

2. Assignor conditionally assigns to the Assignee all the Assignor's right, title, and interest in (a) the Lease and (b) the security deposit, if any, stated in the Lease, all subject to the terms hereof.

3. As long as the conditions set forth in Section 5 are not met, Assignor shall have all rights, privileges and obligations as the tenant under the Lease.

4. Landlord shall provide Assignee with (i) fifteen (15) days' written notice prior to any modification, amendment or cancellation of the Lease, and (ii) copies of any written notices of default given to Assignor under the Lease within three (3) days of Landlord's giving such notice to Assignor. Landlord grants to Assignee, at Assignee's option, the right (but not the obligation) to cure any default under the Lease within fifteen (15) days after the expiration of the period in which Assignor may cure the default, if Assignor fails to do so. Notwithstanding any action by Assignee to cure Assignor's default under the Lease, Assignor shall be deemed to be in default under the Lease for purposes of this Assignment.

5. In the event of (i) a default under the Lease by Assignor, (ii) a default under the Agreement by Assignor, or (iii) the expiration and termination of the Agreement for any reason whatsoever, Assignee shall have the option to accept this Assignment and replace Assignor as tenant under the Lease pursuant to the terms set forth herein by providing an Assignment Notice (as defined in Section 6) to Landlord.

6. If the Assignee elects to exercise its option to accept the assignment of the Lease and replace Assignor as tenant under the Lease pursuant to the terms set forth in this Assignment, it shall provide written notice of such acceptance to the Landlord (the "Assignment Notice"). Upon Assignee's providing the Assignment Notice, Assignee shall become the tenant of the leased Premises and shall become liable for all obligations under the Lease arising after the date of the Assignment Notice. Landlord shall recognize Assignee as the tenant of the leased Premises effective as of the date of the Assignment Notice. If the Assignee elects to exercise its option to accept the assignment of the Lease, it agrees that the obligations assumed shall benefit the Landlord named in the Lease.

7. Landlord consents to Assignor's conditional assignment of the Lease hereunder. Notwithstanding anything to the contrary herein, no assignment of Assignor's right, title and interest in the Lease to Assignee shall release Assignor or any of the Guarantors (as defined in the Lease) from any liability under the Lease.

8. Assignor shall not transfer or assign any of its rights and/or obligations under this Assignment without the prior written consent of Assignee, which consent may be granted, conditioned or denied in Assignee's sole and absolute discretion. This Assignment is fully transferable by Assignee to any person or entity. This Assignment is binding upon and inures to the benefit of the parties hereto and their respective successors, heirs, representatives, and permitted assigns.

IN WITNESS WHEREOF, the Assignor, Assignee and Landlord have duly executed this Assignment as of this ____day of _______________, 20___.

ASSIGNOR:

____

a _____________________________________

By: ___________________________________

Name: _________________________________

Title: _________________________________

LANDLORD:

____

a _____________________________________

By: ___________________________________

Name: _________________________________

Title: _________________________________

ASSIGNEE:

Taiwan Street Snacks Franchise, Inc. ("Franchisor")

By: ___________________________________

Name: _________________________________

Title: _________________________________

EXHIBIT 5 TO SHIHLIN FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS

FOR VALUE RECEIVED, the undersigned FRANCHISEE hereby irrevocably assigns the telephone listing and numbers stated below to FRANCHISOR, Taiwan Street Snacks Franchise, Inc., upon the following terms and conditions:

1. This assignment is made pursuant to the terms of that certain Franchise Agreement of event date herewith (hereinafter called the "Agreement") between Taiwan Street Snacks Franchise, Inc. and FRANCHISEE.

2. FRANCHISEE shall retain the limited conditional right to use the telephone listing and numbers solely for the transaction and advertising of the Franchised Business (as defined in the "Agreement") while the Agreement remains in full force and effect, but upon expiration and termination of the Agreement for any reason whatsoever, the limited conditional right to use of the telephone listing and numbers by FRANCHISEE shall also expire and/or terminate.

3. The telephone listing and numbers subject to this assignment are: ___________________ and any other telephone numbers used by FRANCHISEE in the Franchised Business in the future.

4. This assignment is freely transferable by FRANCHISOR, Taiwan Street Snacks Franchise, Inc., to any person or entity. This assignment inures to the benefit of all parties who lawfully succeed to the rights or take the place of FRANCHISOR, Taiwan Street Snacks Franchise, Inc.

IN WITNESS WHEREOF, FRANCHISEE and Taiwan Street Snacks Franchise, Inc. have hereunto set their hands and seals this ______ day of __________________, 20__.

FRANCHISOR:

Taiwan Street Snacks Franchise, Inc.

By:_________________________________

FRANCHISEE

By:_________________________________

By:_________________________________

EXHIBIT C TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS
AND
AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Corporations Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013–2344 (213) 876–7500 Toll free: (866) 275-2677	**MICHIGAN** Consumer Protection Div., Franchise Section Attn: Kathryn A. Barron 670 G. Mennen Williams Building Lansing, Michigan 48913 (517) 373–7117
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**MINNESOTA** Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296–4026
ILLINOIS Robert Tingler, Esq. Chief, Franchise Division 500 South Second Street Springfield, Illinois 62706 (217) 782–4465	**NEW YORK** Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, New York 10271 (212) 416–8211
INDIANA Secretary of State Franchise Section 302 West Washington, Room E–111 Indianapolis, Indiana 46204 (317) 232–6681	**NORTH DAKOTA** North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202–2020 (410) 576–6360	**RHODE ISLAND** Securities Division Department of Business Regulation John O. Pastore Center Bldg. 69, First Floor 1511 Pontiac Avenue Cranston, RI 02920 (401) 277–3048

SOUTH DAKOTA Director of Division of Securities 445 E. Capitol Avenue Pierre, South Dakota 57501–2017 (605) 773–4013	**WASHINGTON** Department of Financial Institutions General Administration Building Securities Division – 3rd Floor West 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902–8760
VIRGINIA Director, Securities and Retail Franchising Div. State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371–9051	**WISCONSIN** Office of the Commissioner of Securities 345 West Washington Avenue, Fourth Floor Madison, Wisconsin 53703 (608) 261–9555

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013–2344 (213) 576–7500 Toll free: (866) 275-2677	**MICHIGAN** Dept. of Commerce, Corp'ns & Securities Bureau 670 Law Building 525 West Ottawa Lansing, Michigan 48913 (517) 373–7117
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**MINNESOTA** Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (612) 296–4026
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782–4465	**NEW YORK** New York State Department of State Division of Corporations Second Floor 41 State Street Albany, New York 12231
INDIANA Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232–6681	**NORTH DAKOTA** North Dakota Securities Commissioner 600 Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202–2020 (410) 576–6360	**RHODE ISLAND** Director of Department of Business Regulation John O. Pastore Center Bldg. 69, First Floor 1511 Pontiac Avenue, Cranston, RI 02920 (401) 277–3048

SOUTH DAKOTA Director of Division of Securities 445 E. Capitol Avenue Pierre, South Dakota 57501–2017 (605) 773–4013	**WASHINGTON** Director of Department of Financial Institutions General Administration Building Securities Division – 3rd Floor West 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902–8760
VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371–9733	**WISCONSIN** Commissioner of Securities 345 West Washington Avenue, Fourth Floor Madison, Wisconsin 53703 (608) 261–9555

EXHIBIT D TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

STATE ADDENDA

CALIFORNIA APPENDIX

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION 20000 THROUGH 20043 PROVIDE RIGHTS TO THE FRANCHISEE CONCERNING TERMINATION OR NONRENEWAL OF A FRANCHISE. IF THE FRANCHISE AGREEMENT CONTAINS A PROVISION THAT IS INCONSISTENT WITH THE LAW, THE LAW WILL CONTROL.

THE FRANCHISE AGREEMENT PROVIDES FOR TERMINATION UPON BANKRUPTCY. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER FEDERAL BANKRUPTCY LAW (11 USCA SEC 101ET SEQ).

THE FRANCHISE AGREEMENT CONTAINS A COVENANT NOT TO COMPETE THAT EXTENDS BEYOND THE TERMINATION OF THE FRANCHISE. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

NEITHER THE FRANCHISOR NOR ANY PERSON DESCRIBED IN ITEM 2 OF THE DISCLOSURE DOCUMENT IS SUBJECT TO ANY CURRENTLY EFFECTIVE ORDER OF ANY NATIONAL SECURITIES EXCHANGE AS DEFINED IN THE SECURITIES EXCHANGE ACT OF 1934, 15 USCA 78a ET SEQ, SUSPENDING OR EXPELLING SUCH PERSONS FROM MEMBERSHIP IN SUCH ASSOCIATION OR EXCHANGE.

OUR URL IS shihlinsnacks.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.

EXHIBIT E TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

LIST OF ACTIVE FRANCHISEES

DE QUAN, INC
447 Great Mall Drive, Store No, FC8
Milpitas, CA 95035
(408) 649-3597

Golden Chicken USA
142 E 3rd Avenue
San Mateo, CA 94401
(650) 558-1988

Qualitea, Inc.
2855 Stevens Creek Blvd., Store No. B336
Santa Clara, CA 95050
(408) 680-8860

Bayview Foods
1477 Berryessa Road, #30
San Jose, CA 95131
(408) 560-6352

EXHIBIT F TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

LIST OF COMPANY OWNED UNITS

2521 Durant Ave., #E
Berkeley, CA 94704
(510) 529-4166

522 Barber Lane
Milpitas, CA 95035
(408) 922-7271

Stonestown Galleria
3251 20th Ave #250G
San Francisco, CA 94132

EXHIBIT G TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

None.

EXHIBIT H TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

TABLE OF CONTENTS OF SYSTEM MANUAL

Shihlin
Taiwan Street Snacks Franchise, USA
Operations Manual

Table of Content

EXHIBIT I TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

OWNER'S GUARANTY
AND
ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

OWNER'S GUARANTY
AND
ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution by Taiwan Street Snacks Franchises, Inc. ("FRANCHISOR") of that certain Franchise Agreement of even date herewith (the "Agreement") between FRANCHISOR and ______________________________________ ("FRANCHISEE"), or in consideration of and as an inducement to FRANCHISOR's consent to a transfer by or of FRANCHISEE under the Agreement, each of the undersigned parties including:____ ____ ("Guarantors") hereby personally and unconditionally: (1) guarantees to FRANCHISOR and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement; and agrees to punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (2) agrees to be personally bound by, and personally liable for the breach of, each and every term, condition, covenant and provision in the Agreement. Each Guarantor expressly represents and acknowledges that he or she has read the Agreement and has had the opportunity to review the same, and this Guaranty, with counsel. Each Guarantor hereby expressly waives:

(1) acceptance and notice of acceptance by FRANCHISOR, of the foregoing undertakings;

(2) notice of demand for payment of any indebtedness or non performance of any obligations hereby guaranteed;

(3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

(4) any right he or she may have to require that an action be brought against FRANCHISEE, Guarantor or any other person as a condition of liability;

(5) any requirement that FRANCHISOR proceed against or exhaust its remedies with respect to FRANCHISEE or any other person before demanding payment or performance by Guarantor; and

(6) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

(1) his or her direct and immediate liability under this guaranty shall be joint and several;

(2) he or she shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses to do so punctually;

(3) such liability shall not be contingent or conditioned upon pursuit by FRANCHISOR of any remedies against FRANCHISEE or any other person;

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which FRANCHISOR may, from time to time, grant to FRANCHISEE or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be irrevocable during the term of the Agreement; and

(5) the liability and obligations under this Guaranty and Assumption shall not be diminished, relieved or otherwise affected by any modification by FRANCHISEE and FRANCHISOR of the terms or conditions of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

Name:______________________________________

Signature:___________________________________

Date:_______________________________________

Name:______________________________________

Signature:___________________________________

Date:_______________________________________

EXHIBIT J TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

SPOUSAL CONSENT AND WAIVER

SPOUSAL CONSENT AND WAIVER

The undersigned ________________ ("Spouse") hereby represents that he/she is a ________________ [state] resident and is the spouse of ______________________ ("Franchise Owner"). Spouse acknowledges and understands that, contemporaneously herewith, Franchise Owner, or a corporation, partnership or limited liability company in which Franchise Owner is a principal owner (the "Franchisee"), will be entering into a Franchise Agreement with Taiwan Street Snacks Franchises, Inc. ("Franchisor") to acquire an Shihlin restaurant franchise and operate an Shihlin restaurant. Spouse hereby consents to this transaction and waives any right, now or in the future, to assert a community property or quasi community property interest in the franchise, the Franchise Agreement, the Shihlin restaurant or in the Franchisee. Spouse understands that in the absence of this Spousal Consent and Waiver, Franchisor, as a condition of granting the Shihlin franchise to Franchise Owner, would have required Spouse to personally enter into the Franchise Agreement or to execute a personal guaranty of all of Franchisee's obligations under the Franchise Agreement. Spouse represents and agrees that the waiver of this condition by Franchisor is sufficient consideration for this Spousal Consent and Waiver. Spouse understands that if Spouse did not wish to provide this Spousal Consent and Waiver, Spouse could have agreed to personally execute the Franchise Agreement or the personal guaranty. Spouse hereby represents and acknowledges that Spouse knowingly and deliberately elected not to do so and to instead provide this Spousal Consent and Waiver. If notwithstanding this Spousal Consent and Waiver, Spouse claims or is awarded in a legal action a community property interest, quasi community property interest or other ownership interest in the franchise, the Franchise Agreement, the Shihlin restaurant or in Franchisee, other than by way of a transfer approved in writing by Franchisor as provided in the Franchise Agreement, Spouse hereby agrees, without further action or execution of further instruments, to be personally bound by all of the terms of the Franchise Agreement and to be liable for the performance of all obligations thereunder.

Spouse

_____________________________________ Dated: _________________________

EXHIBIT K TO THE
TAIWAN STREET SNACKS FRANCHISES, INC.
DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT
(YOUR COPY)

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

If Taiwan Street Snacks Franchises, Inc. offers you a franchise, we must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale except:

> If we offer you a franchise subject to the franchise laws of Indiana or Michigan, we must provide this disclosure document to you by the earliest of:
> 1. Ten business days before signing of a binding agreement; or
> 2. Ten business days before payment to us; or
> 3. Fourteen calendar days before signing a binding agreement or making a payment to us.
>
> If we offer you a franchise subject to the franchise laws of New York or Oklahoma, we must provide this disclosure document to you by the earliest of:
> 1. The first personal meeting to discuss our franchise; or
> 2. Ten business days before signing of a binding agreement; or
> 3. Ten business days before payment to us; or
> 4. Fourteen calendar days before signing a binding agreement or making a payment to us.

If Taiwan Street Snacks Franchises, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The name, principal address and telephone number of each franchise seller offering the franchise:

Jason Shiao	Keith Chin
522 Barber Lane, Milpitas, CA 95035	522 Barber Lane, Milpitas, CA 95035
(408) 763-3813	(408) 763-3813

Issuance Date: June 15, 2023)

Our agents for service of process are listed in Exhibit C of the Disclosure Document.

This Disclosure Document includes the following exhibits:
Exhibit A Financial Statements
Exhibit B Franchise Agreement
Exhibit C List of State Administrators and Agents for Service of Process
Exhibit D State Addenda
Exhibit E List of Active Franchisees
Exhibit F List of Company Owned Units
Exhibit G List of Franchisees Who Have Left the System
Exhibit H Table of Contents of Operation Manual
Exhibit I Owner's Guaranty and Assumption of Franchisee's Obligations
Exhibit J Spousal Consent and Waiver
Exhibit K Receipts

Date: _______________ Signature: ___________________________ Printed Name:_________________

Date: _______________ Signature: ___________________________ Printed Name:_________________

KEEP THIS COPY FOR YOUR RECORDS.

RECEIPT
(OUR COPY)

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Exhibit J Spousal Consent and Waiver
Exhibit K Receipts

Date: _______________ Signature: ___________________________ Printed Name:_________________

Date: _______________ Signature: ___________________________ Printed Name:_________________

Please sign this copy of the receipt, date your signature, and return it to:
Name: ____
Address: ____
Telephone Number: ____