

FRANCHISE DISCLOSURE DOCUMENT



TAKAGI COFFEE
since 1958

SUNPARK USA, INC.

A California Corporation
21250 Hawthorne Boulevard, Suite 500
Torrance, California 90503
1-808-383-6514

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As a TAKAGI COFFEE franchisee, you will operate a full-service restaurant, QSR or kiosk that services Japanese style dishes, appetizers, coffee and other beverages, condiments, and other consumable food items prepared in accordance with proprietary recipes and using proprietary sauces, spices, and preparation techniques and other authorized goods and services, at or delivered from the outlet.

The total investment necessary to begin operation of a TAKAGI COFFEE outlet ranges from \$385,500 to \$773,000. This includes \$30,000 that must be paid to the franchisor and its affiliates. The franchisor may also offer you an Area Development Agreement granting a right to open additional TAKAGI COFFEE outlets for an additional investment of \$20,000 for each additional outlet, all of which must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jimmie Evans at 21250 Hawthorne Boulevard, Suite 500, Torrance, CA 90503; email: Jimmie.Ken.Evans@sunpark.ne.jp.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, such as 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 from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's homepage 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: **August 9, 2023**

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D.
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 TAKAGI COFFEE 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 TAKAGI COFFEE franchisee?	Item 20 or Exhibits D and E list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents

What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

1. Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, or Litigation only in the State of 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 and arbitrate with the franchisor in the State of California than in your own state.
2. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

SUNPARK USA, INC.

FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

<u>Item No.</u>	<u>Name</u>	<u>Page</u>
1	The Franchisor, and any Parents, Predecessors and Affiliates.....	1
2	Business Experience.....	3
3	Litigation.....	4
4	Bankruptcy.....	4
5	Initial Fees.....	4
6	Other Fees.....	5
7	Estimated Initial Investment.....	9
8	Restrictions on Sources of Products and Services.....	12
9	Franchisee's Obligations.....	14
10	Financing.....	15
11	Franchisor's Assistance, Advertising, Computer Systems and Training.....	15
12	Territory.....	21
13	Trademarks.....	23
14	Patents, Copyrights, and Proprietary Information.....	24
15	Obligation to Participate in the Actual Operation of the Franchise Business.....	25
16	Restrictions on What the Franchisee May Sell.....	25
17	Renewal, Termination, Transfer and Dispute Resolution.....	26
18	Public Figures.....	31
19	Financial Performance Representations.....	31
20	Outlets and Franchisee Information.....	31
21	Financial Statements.....	33
22	Contracts.....	33
23	Receipts.....	33

Exhibits

A	Financial Statement
B	Franchise Agreement
	Exhibits to Franchise Agreement:
	Exhibit 1: Territory and Location of Outlet
	Exhibit 2: Names and Addresses of Principal Equity Owners
	Exhibit 3: Guarantee of Franchise Agreement
C	Area Development Agreement
D	List of Franchise Outlets
E	List of Terminated Franchises
F	State Franchise Administrators and Agents for Services of Process
G	Registration of Franchises in Other States
H	Conditional Assignment of Telephone and Directory Listing
I	Abandonment, Relinquish, & Termination of Assumed Fictitious Business Name
J	Electronic Funds Transfer Authorization
K	Form of General Release
L	Personal Guarantee
M	SBA Franchise Agreement Addendum
N	State and Provincial Law Addendum
O	Receipts

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

To simplify the language, this disclosure document uses “we” or “us” to mean SUNPARK USA, INC., Inc. “You” or “your” means the individual or entity buying the TAKAGI COFFEE franchise. All persons who own 20% or more of the franchisee are “Principal Equity Owners”.

The Franchisor, Parents and Affiliates

We are the franchisor of the TAKAGI COFFEE system. Our principal business address in the United States is 21250 Hawthorne Boulevard, Suite 500, Torrance, California 90503.

Our parent entity is Sunpark Co., Ltd. (“SUNPARK”), a Japanese corporation whose principal business address is 5-11-1 Kishibekita, Suita City, Osaka 564-0001 Japan. SUNPARK offers franchises in Japan under the brand names of TAKAGI COFFEE and bell-ville pancake cafe.

SUNPARK and its subsidiaries will provide our franchisees with proprietary coffee beans, other proprietary food ingredients and other proprietary products. Otherwise, we are not controlled by, controlling, or under common control with any other entity that provides goods or services to our franchisees or that offers franchises in any line of business.

Predecessors

We have no predecessors.

Names Used by the Franchisor

We conduct business under the names “TAKAGI COFFEE” and “MAJI CURRY” (the “Brand”). We do not conduct business under any other names.

Agent for Service of Process

Our agent for service of process is Ken Ishiyama 21250 Hawthorne Boulevard, Suite 500, Torrance, California 90503 and (if you are in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington or Wisconsin) the state office or official listed in Exhibit F of this disclosure document.

Business Organization Used by the Franchisor

We are a corporation organized in California on April 7, 2022.

The Franchisor’s Business

We act as a franchisor of TAKAGI COFFEE and MAJI CURRY franchises. We do not operate businesses of the type being franchised and we do not engage in other business activities. MAJI CURRY currently has no corporate store or franchised store. As of November 30, 2023, we have not offered TAKAGI COFFEE brand or any other business to this type to the franchisee.

The Business You Will Conduct

Our franchise is a license to independently own and operate a full-service restaurant, QSR or kiosk (“Outlet”) at a specified location, preparing and selling specialty coffee and proprietary Japanese style dishes and appetizers prepared according to proprietary recipes and using proprietary condiments and ingredients (collectively, “TAKAGI COFFEE Products”). Outlets also sell other authorized beverages, food and related merchandise, using designated concepts, designs, recipes, equipment, products and techniques. TAKAGI COFFEE Products may only be obtained from suppliers we designate. We may receive commissions from designated suppliers on components of the TAKAGI COFFEE Products sold to you.

Outlets typically occupy between 1,000 and 2,500 square feet of retail space either in a shopping mall or strip or a freestanding location. Outlets use the brand name and other marks, commercial symbols, logos, and trade identifiers we may designate (all of which together we call the “Marks”). All Outlets must display brochures describing the availability of the TAKAGI COFFEE franchise opportunity.

If you want to and you are financially and operationally qualified in our judgment to do so, you and we may enter into a single unit Franchise Agreement (“FA”) or an Area Development Agreement (“ADA”), under the latter of which you will be granted the opportunity to develop a specified number of additional Outlets under a mutually agreed timetable specified in an attached “Development Schedule” and within a negotiated “Development Area”. If the required Outlets have not been opened as required by the Development Schedule, you will be in breach of the ADA and we may terminate the ADA (if we do so, you or your affiliated entity would no longer have any exclusive rights to open Outlets in the Development Area, but you or an affiliated entity may continue to operate Outlets under existing Franchise Agreements for those Outlets). You or your affiliated entity must sign our current form of Franchise Agreement for each additional Outlet opened under the ADA (the current form of Franchise Agreement for Outlets opened under the ADA in future years may differ from the form of Franchise Agreement included in this disclosure document). The form of ADA is attached as Exhibit C to this disclosure document.

General Market for Franchised Products and Services

The general market you will operate the business in involves Japanese and Asian cafe restaurants. The market for TAKAGI COFFEE Products consists of all individuals within a reasonable proximity to the Outlet. This type of business is fully developed, does not involve sale primarily to a certain group and is not seasonal.

Industry Specific Laws or Regulations

You will need a business license and reseller’s permit and you must comply with federal, state and local laws applicable to the operation and licensing of our type of business, including obtaining all applicable health permits and inspections and approvals by municipal, county or state health departments that regulate food handling and food service operations. Your Outlet must also meet applicable municipal, county, state and federal building codes and handicap access codes and you will have to comply with the many federal, state, county, and municipal laws and regulations affecting retail food businesses. Although you are not engaged to act as or sales agent to recruit third-party franchisees, before you ever do so, you may need to be registered as a sales agent under state franchise laws.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service. State and local agencies inspect restaurants and other retail food service providers to ensure that they comply with these laws and regulations.

The Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particles, including caps on emissions from commercial food preparation. Some state and local governments also regulate indoor air quality, including limiting the use of tobacco products in public places, such as restaurants.

Some localities require that at least one certified food handler be present during all operating hours. You must investigate, learn about, and comply with all laws applicable to the franchised business and obtain and maintain all permits and licenses required by governmental entities or agencies in your specific area. You should become thoroughly familiar with the legal requirements of the food services industry in your area, consulting with your own attorney, before you sign any contract or make any investment with us.

Competition

Your Outlet will compete with many cafe restaurants and retail food establishments that feature coffee and other beverages. You should expect to compete with major brand cafe chains and fast casual restaurants as well. Some of these competitors may be in close proximity to your Franchised Restaurant and may have greater financial resources, larger advertising budgets and more national (or local) recognition than we have. In addition, competition for management and other operating personnel and for sites is intense within the industry.

Prior Experience of Franchisor, Predecessors and Affiliates

As of August 10, 2023, Sunpark operates 4 Takagi Coffee restaurants in Japan.

Other than TAKAGI COFFEE brand, we have offered MAJI CURRY franchise.

ITEM 2: BUSINESS EXPERIENCE

Ken Takagi, Chief Executive Officer

Mr. Takagi is the founder and has been the Chief Executive Officer and Chief Financial Officer of Sunpark USA, Inc. since its inception in April 2022. He has also been the Chief Executive Officer of Sunpark Co., Ltd. since May 1997, Sunpark Singapore Pte. Ltd. since October 2011, Sunpark Bangkok Co., Ltd. since February 2012, Sunpark Holdings Pte. Ltd. since October 2013, and Sunpark Holdings (Thailand) Co., Ltd. since April 2018.

Masaki Yoshimoto, Chief Operating Officer

Mr. Yoshimoto has been the Chief Operating Officer of Sunpark Co., Ltd. since June 2008. He has also been the Chief Operating Officer of Sunpark Singapore Pte. Ltd. since October 2011, Sunpark Bangkok Co., Ltd. since February 2012, Sunpark Holdings Pte. Ltd. since October 2013, and Sunpark Holdings (Thailand) Co., Ltd. since April 2018.

Tomohiro Gamo, Chief Financial Officer

Mr. Gamo has been the Chief Financial Officer of Sunpark Co., Ltd. since June 2017.

Kentaro Ishiguro, Chief Management Officer

Mr. Ishiguro has been the Chief Management Officer of Sunpark Co., Ltd. since June 2020. From April 2016 to March 2019, he served as the Administrative Manager of Sunpark Co., Ltd.

Tatsuyuki Sakamoto, Executive Chef

Mr. Sakamoto has been the Executive Chef of Sunpark Co., Ltd. since June 2020. From April 2019 to May 2021, he served as the Research & Development Manager of Sunpark Co., Ltd. From February 2016 to March 2019, he served as the Research & Development Section Chief of Sunpark Co., Ltd.

Jimmie Evans, Regional Director

Mr. Evans has been the Regional Director and Secretary of Sunpark USA, Inc. since its inception in April 2022. He has also been the Regional Director of Sunpark Co., Ltd. since February 2020. From June 2018 to January 2020, he served as the Sales Consultant of TR-Pharma.

ITEM 3: LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

The “Initial Franchise Fee” for your first Outlet is \$30,000 and is due and payable in full to us when you sign the Franchise Agreement. If applicable, the Initial Franchise Fee for your subsequent Outlet is \$20,000.

If you sign an ADA, you will pay us at that time a “Development Fee” equal to \$20,000 multiplied by the number of additional Outlets you commit to open under the ADA. Then, when you open an additional Outlet under the ADA, the \$20,000 will be applied as a credit towards the \$20,000 Initial Franchise Fee required by the Franchise Agreement for the additional Outlet.

The Initial Franchise Fee and Development Fee paid under an ADA are fully earned by us when paid. After initial training has been successfully completed by you, no refunds are available. If you do not successfully complete initial training, or if we cannot agree on a suitable site for your initial Outlet within 180 days after you sign the Franchise Agreement, we may either grant you two additional consecutive periods of 90 days to find an acceptable location or cancel the Franchise Agreement. If we cancel the Franchise Agreement, we will refund the Initial Franchise Fee and Development Fee you paid, less any expenses we incurred in processing your Franchise and the Franchise Agreement.

There are no other initial fees or payments for services or goods received from us or our affiliates before your Outlet opens.

ITEM 6: OTHER FEES**FRANCHISE AGREEMENT**

Type of Fee	Amount¹	Date Due²	Remarks
Royalty	5% of Gross Revenues	Fifth business day of each month.	Royalty is paid monthly. "Gross Revenues" include all revenue from the sale of all products and services and all other income of every kind and nature related to your franchise operation, whether for cash, by redemption of gift certificates or for credit, regardless of collection. Gross Revenues do not include sales tax or any other taxes you collect from customers for payment to an appropriate tax authority.
Marketing and Promotion Fee	1% of Gross Revenues	Fifth business day of each month.	Marketing and Promotion Fees are not currently payable. However, upon 30 days' prior written notice, we may require you to begin paying us the Marketing and Promotion Fee monthly.
Additional Advertising and Promotion Assessment	Amount of assessment (variable)	Immediately upon our demand.	On a regional or system-wide basis, we may impose an additional assessment upon some or all franchisees for one-time advertising or promotional activities if two-thirds of all affected TAKAGI COFFEE franchisees agree to such additional assessment by affirmative vote.
Initial Training Fee for Additional Attendees	\$2,000 ³	At the beginning of initial training.	Initial Training is provided to up to five attendees (including your General Manager and Principal Equity Owners at no additional charge). Additional attendees of Initial Training, including replacement General Managers and new Principal Equity Owners, may be required to pay us \$2,000 ³ for Initial Training. A General Managers who is retaking Initial Training or replacing a trained General Manager may be required to pay us \$250 ³ per day for Initial Training. You must pay the costs of travel, lodging and meals for all your attendees.

Type of Fee	Amount ¹	Date Due ²	Remarks
Additional Training Fee	Between \$250 ³ and \$300 ³ per day (for each attendee)	At the beginning of additional training.	After the Outlet opens, and upon reasonable notice, we may require your General Manager, Principal Equity Owners and other designated personnel to attend staff training courses, seminars, conferences or other programs at locations we select and we may charge you a separate fee of \$250 ³ per day (or other amount stipulated in the Confidential Operations Manual but not greater than \$300 ³) for each of your attendees at required training. We may also provide optional training or programs, and we may charge you a separate fee of \$100 ³ per day (or other amount stipulated in the Confidential Operations Manual but not greater than \$300 ³) for each of your attendees at optional training. And you will be responsible for the travel, lodging and meal expenses of your attendees or our trainers at these programs.
Transfer Fee	\$10,000 ³ .	Not later than 10 days before the transfer.	There is no transfer fee if franchise is transferred to an entity owned solely by you. Also, no transfer fee is due if the franchise is transferred to your personal representative, conservator or heir upon your death or legal disability (if you are an individual) or dissolution (if you are an entity).
Late Charge	5% of the amount past due	With late payment	Payable only if you do not pay when due.
Interest	Annual Percentage Rate ("APR") of 12% ² on the amount past due.	Immediately upon our demand	Interest begins from the date payment was originally due.
Costs of Collection	Cost of collection of delinquent amounts (variable)	Immediately upon our demand	In addition to the late payment penalty and interest on the unpaid amount, you must reimburse us for our costs of collection of delinquent amounts.
Gift Cards	Variable based on purchases.	When ordered.	We do not currently use gift cards, but we have the right to begin using them at any time. If we do, you will have to purchase from a designated vendor, who may be us or our affiliate, as you need them the gift cards you are required to sell at your Outlet.
Penalty for Selling Unauthorized Products	\$500 ³ per incident.	On demand.	Outlets may only sell TAKAGI COFFEE Products that are provided by SUNPARK CO., LTD. or other designated vendors. If an Outlet sells unauthorized products not provided by SUNPARK CO., LTD. or other designated vendors, we will levy a fine of \$500 ³ each time it happens and declare the Outlet in material breach of its Franchise Agreement. We may deduct this fine from the applicable Performance Bond.

Type of Fee	Amount ¹	Date Due ²	Remarks
Penalty for Not Reporting Cash Payments	\$500 ³ .	On demand.	You must not accept cash payments from customers at the Outlet which are not reported to us or incorrectly reported. If this occurs, we can levy a fine of \$500 ³ each time it happens and declare you in material default of your Franchise Agreement for fraud, subject to immediate termination.
Records and Rights of Inspection (Audit)	Cost of audit plus interest on underpayment.	Immediately upon demand for payment	This payment is due if (i) the audit discloses an understatement of 5% or more in amounts payable to us, (ii) you fail to furnish required information or documents to us in a timely manner, or (iii) will it takes our auditors an unreasonable amount of time (more than eight hours) to assemble your records for audit.
Indemnification of Franchisor against Losses	All "Losses", as defined in section 16.2 of the Franchise Agreement (variable)	Immediately upon our demand	The Franchise Agreement requires you to indemnify us against Losses we may incur as a result of (i) your deviation from our approved menu, (ii) unauthorized use of our proprietary information or trademarks, (iii) the breach by you, any Principal Equity Owner or your Manager of non-compete covenants, or (iv) your intentional tort or negligence relating to operation of the Outlet.
Interim Manager Payments	Reasonable daily (per diem) charge which is currently \$750 ³ per day.	Weekly, on demand.	If there is a death or incapacity of an individual franchisee or a majority equity owner, and there is no successor capable of operating the Outlet, we may appoint an interim manager to operate the Outlet on your behalf for a period of 90 days, renewable as necessary for up to one year. For this assistance, you must pay us a reasonable daily management fee for our assistance provide by our interim manager.
Reimbursement for Curing Franchisee Defaults	Cost incurred to cure your defaults (variable)	Immediately upon our demand	If you default in the performance of any obligation under the Franchise Agreement, or related agreement involving third parties, we may cure the default for your account and on your behalf and you would then be obligated to reimburse us for all costs and expenses we incur to do so.
Attorneys' Fees	Reasonable legal fees and other "Expenses" (as defined in section 16.2(e) of the Franchise Agreement) (variable)	Immediately upon determination of the prevailing party by the arbitrator or court	If we are the prevailing party in any arbitration or litigation to resolve a dispute between us, we are entitled to recover our reasonable attorneys' fees and other Expenses (including arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator).
De-identification Enforcement Expense	Variable costs and expenses relating to de-identification	Immediately upon our demand	If you fail to de-identify your Outlet and your business upon termination or non-renewal of the Franchise Agreement, we have the right 15 days after written notice to enter the Outlet and complete de-identification changes at your expense.

1. All fees are imposed and collected by and are payable only to us. Except as indicated in Item 5 or otherwise in the table above, all fees are non-refundable. All fees are uniformly imposed. You will pay all

the fees described in this chart for your initial Outlet and for each additional Outlet required to be opened under the ADA.

2. If any payment is not paid when due, you must pay interest on the unpaid amount at an APR of 12% (unless interest rates on delinquent payments in the state in which your Outlet is located are limited by law to a lower APR, in which case that lower APR will apply), and you must reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts, including court costs, investigator fees, expert witness fees and attorneys' fees. Interest begins to accrue from the date payment was due.

3. This fee is subject to adjustment based on changes since the effective date of the Franchise Agreement in the annual average of the Consumer Price Index for All Urban Consumers ("CPI"), published by the Bureau of Labor Statistics of the United States Department of Labor, or the highest similar future index if these figures become unavailable.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

FRANCHISE AGREEMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee ¹	\$30,000	Lump sum; non-refundable	When you sign the Franchise Agreement.	Us
Travel and living expenses while attending Initial Training ²	\$10,000 to \$12,000	As incurred	During training	Airlines, hotels and restaurants
Grand opening advertising and promotion ³	\$1,500 to \$2,000	As incurred	During the first 60 days after opening	Advertisers and other suppliers
Real property lease deposits, construction, remodeling, leasehold improvements and decorating costs – net of landlord contribution ⁴	\$260,000 to \$610,000	As incurred	Before opening	Contractors, landlord and other suppliers
Equipment, fixtures and other fixed assets ⁵	\$62,000 to \$80,000	As arranged	Before opening	Designated vendor (for the point of sale “POS” system), approved suppliers and other suppliers
Opening inventory and supplies ⁶	\$5,000 to \$10,000	As arranged	Before opening	Our affiliates, designated vendors or approved suppliers
Interior/exterior signs and graphics ⁷	\$3,000 to \$6,000	As incurred	As arranged	Designated or approved suppliers
Professional fees - legal and accounting ⁸	\$1,500 to \$2,500	As incurred	Before opening	Attorneys, accountants and architects
Business insurance ⁹	\$1,000 to \$2,000	As incurred	As arranged	Insurance company
Miscellaneous opening costs ¹⁰	\$2,500 to \$3,500	As incurred	Before and 30 days after opening	Government agencies, utilities and other suppliers
Additional funds – 3 months ¹¹	\$9,000 to \$15,000	As incurred	After opening	See note 12 below
TOTAL ¹²	\$ 385,500~\$773,000			

1. All fees must be paid in full at the time indicated. To be eligible to sign the Franchise Agreement, you may be required to provide us with reasonable proof of your financial ability to make the initial investment described above and you must authorize us to conduct a credit check to confirm your financial ability to purchase and develop the Outlet. Under the ADA, you will sign a Franchise Agreement for your first Outlet when you sign your ADA, and then separate Franchise Agreements for each Outlet you open under the ADA. We do not finance any fee or payment. After you complete initial training under your first Franchise Agreement, the Initial Franchise Fee is not refundable. Part of the Initial Franchise Fee or the Development Fee may be refundable after deducting any legal fees, administrative and other expenses incurred if and when Franchisor and Franchisee agree to terminate Franchise Agreement before Franchisee completes the Initial Training.

2. Initial training is provided at our headquarters in Torrance, California and at a TAKAGI COFFEE retail outlet in Southern California and is typically completed in eight weeks. These expenses represent the travel and living expenses for you and your staff during training. These expenses are generally non-refundable.

3. Although you are not required to spend a specified amount on a grand opening promotion to build local customer awareness of your Outlet after you open, we encourage you to do so and these are typical amounts you might spend. We will provide you with recommendations on how to promote the grand opening of your Outlet, including promotional ideas, sample advertising copy and flier design. These expenses are generally non-refundable.

4. You will need to rent a suitable retail site for your Outlet and the rent or lease deposit amount will vary depending on the location. A security deposit and first month's rent are standard requirements to execute a commercial lease. You will need to conduct the necessary build-out of your leased space according to our designs and other requirements. The amounts listed in this type of expenditure are estimates that are based on basic build out of our Outlet design but do not include many variables related to the pre-existing condition of any one location. The size of Outlets generally ranges from 1,500 square feet to 2,500 square feet of floor space. The cost of your build-out may be reduced by a Tenant Improvement ("TI") allowance or rebate from the landlord, which varies depending on the terms of each lease agreement. However, you will be required in most cases to complete the build-out, satisfy all related invoices to contractors and service providers and obtain a Certificate of Occupancy to qualify for the TI rebate from the landlord. Architectural renderings and building permits will be required for the build-out of your Outlet, the cost for which has been included in these estimates. Real estate and TIs (if any) related to "conversions" would be substantially lower. These expenses are generally non-refundable except for refundable security deposits.

5. The cost of the fixtures and equipment will vary depending on the size, configuration and location of your Outlet. This amount includes stoves, boilers, fryers, other kitchen equipment, menu boards, merchandise displays, electronic point-of-sale ("POS") system and supporting equipment, cash register, computer system, set-up fee and telephone communication equipment. The cost of the POS system, computers and communications equipment ranges from \$5,000 to \$10,000. A detailed list of all required equipment is included in our Manual, a copy of which is provided to you after you sign the Franchise Agreement. Additional details on the POS operational software are contained in the Manual. These expenses are generally non-refundable.

6. This refers to the initial inventory of authorized products to be sold at the Outlet and other items of merchandise and supplies you must stock in order to open for business. The cost of initial inventory will vary depending on your Outlet size. The estimated amount is based on our previous experience with operating similar Outlets. These expenses may be refundable if and when you decide not to open for business.

7. The estimate is based on one or two exterior signs and one internal sign. All signs containing the TAKAGI COFFEE proprietary marks must be created to our specifications and must be designed and fabricated by vendors we designate or approve. The quantity, size, type and cost of signs will vary substantially per lease space and in accordance to stipulations of each landlord and local governmental regulations. These estimates also include the average filing fees for obtaining the necessary sign permits, as well as the costs to construct and install the signs. These expenses are generally non-refundable.

8. This includes professional legal and accounting fees to review the franchise agreement and lease and help in setting up the business entity you use to own and operate the Outlet. This also includes the cost of architectural services (some cities or landlords may require that you use a professional architect or engineer to complete the plans beyond that which we provide you). These expenses are generally non-refundable.

9. As an independently owned and operated franchisee, you are responsible for all costs or liabilities arising from the operation of your Outlet, and it is imperative you carry adequate insurance to protect yourself. You must obtain the insurance coverage required by the Franchise Agreement from a carrier with a rating of "A VII" or better by A. M. Best Company. The currently required minimum coverage and limits of insurance are (i) comprehensive general liability insurance with limits of at least \$1,000,000 per occurrence and \$2,000,000 aggregate, (ii) commercial general liability insurance with limits of at least \$1,000,000 per occurrence and \$2,000,000 aggregate, (iii) business interruption insurance with coverage of \$100,000, and (iv) workers' compensation insurance to meet the statutory coverage of the state where your Outlet is located. To the extent permissible under law, these insurance requirements may be satisfied with a combination of primary, umbrella or excess policies. All insurance policies will name you as named insured and (excepting workers' compensation insurance policies) will name us and our subsidiaries and affiliates as additional insureds. The costs of premiums will vary based on location of the Outlet and any history of prior claims. The required coverage and limits are subject to change. These expenses are generally non-refundable; however, prepaid insurance premiums may be refunded if the insurance is canceled before its expiration.

10. This includes utility deposits, miscellaneous business licenses, permits and related prepaid opening expenses. You must obtain a business license from your city or county and you must file a certificate with the appropriate government agency in your county or state indicating you will be doing business under our trademarks. You may also be required to obtain health permits and other state, county and city permits, pay utility deposits and other deposits with vendors, and cover other prepaid expenses before you can begin operating your Outlet. This includes the cost for local business licenses and certificate of occupancy. Other local fees and charges assessed by local government agencies may apply. Some states require a tax deposit, which can be covered by a bond or interest-bearing deposit with the bank or with the state. These expenses are generally non-refundable.

11. Although we do not require minimum funds for you to start your business, there are some expenses you will incur when you begin your franchise operations, such as inventory, supplies and employees. It is always a good idea to have some cash reserves available to cover initial operating expenses. This estimates the additional funds you will need for your first three months of operation. These expenses include payroll costs. We relied on the 15 years of experience of our General Manager of Franchise Operations in determining these figures. These expenses are generally non-refundable.

12. If you do not open for business, you may receive a refund from suppliers for unused inventory, unspent advertising and canceled insurance. Otherwise the payments listed in the table above are nonrefundable. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

AREA DEVELOPMENT AGREEMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Development Fee ¹	\$20,000 ²	Lump sum	When you sign the ADA, you pay us a Development Fee for the exclusive right to open additional Outlets pursuant to the Development Schedule. The Development Fee is based on the number of additional Outlets you commit to open at a rate of \$20,000 for subsequent Outlets (for example, if you agree to open three additional Outlets, the Development Fee would be \$60,000).	Us
TOTAL	\$20,000			

1. All fees must be paid in full at the time indicated. Under the ADA, you will separately sign a Franchise Agreement for your first Outlet when you sign your ADA, and then separate Franchise Agreements for

each Outlet you open under the ADA. We do not finance any fee or payment. After you complete initial training under your first Franchise Agreement, the Development Fee is not refundable. Part of the Initial Franchise Fee or the Development Fee may be refundable after deducting any legal fees, administrative and other expenses incurred if and when Franchisor and Franchisee agree to terminate Franchise Agreement before Franchisee completes the Initial Training.

2. If you agree to open additional Outlets under the Development Schedule, the Development Fee would be \$20,000 for each additional Outlet you commit to open. Each additional Outlet to be opened under the ADA will require execution by you and us of a separate Franchise Agreement (using our then current version) for that additional Outlet. If you fail to comply with the Development Schedule, your ADA may be terminated but you would still be able to operate your Outlets under their individual Franchise Agreements as a multi-outlet franchisee.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods or Services, including Computer and Point of Sale System

You must purchase or lease from our designated supplier the point of sale system and imbedded software we then require ("POS System") that meets our specifications for each Outlet you own and operate. We currently designate the Aloha POS system, but we may change the designated POS System at any time, so you may be required to purchase a different POS System for all Outlets you operate. The POS System includes a cash drawer, credit card reader, and printer. You are responsible for any licensing of software to operate the POS System and for all ongoing maintenance and repairs and upgrades to the POS System. We do not presently require you to have any other computer or computer software. However, we require you to maintain an e-mail account and provide us with reports by email in the manner required in the Manual.

You must purchase items bearing our trademarks only from designated vendors or approved suppliers. Also, you must use in the development and operation of your Outlet those fixtures, items of equipment, including food preparation and storage equipment, display cases, cash registers and computer systems, storefront, supplies and signs we have approved as meeting our specifications and standards for appearance, function, design, quality and performance. You must place or display at the premises of your Outlet (interior and exterior) only such signs, emblems, lettering, logos, and display materials we approve in writing. All equipment leases will be between you and the lessor. Under no circumstances can you sign any lease as if you were us, or on our behalf.

Franchisor or its Affiliates Acting as Approved Suppliers

Neither we nor any of our affiliates sell or lease any goods, services, supplies or equipment related to establishing or operating the Outlet, although our affiliated entity may in the future provide our franchisees with proprietary food ingredients and other products.

There are no suppliers in which any of our officers owns an interest.

Approved Suppliers and Approval of Alternative Suppliers

You may be required to purchase only from manufacturers or producers we designate or approve in writing other specified food and beverage items to maintain consistency in quality and for other considerations. We will provide a written list of these proprietary or selected

items and approved manufacturers or producers. We will also notify you of any additions to or deletions from this list.

We only designate or approve suppliers who demonstrate to our satisfaction the ability to meet our standards and specifications, who possess adequate quality control and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. Designation of a supplier may be conditioned on meeting criteria we determine, including performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may designate single or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers.

The current list of approved products and suppliers is found in the Manual. We may make changes to these lists or other parts of the Manual, which we will provide to you. If you desire to purchase products other than those provided by approved suppliers, you must submit to us a written request for approval of the proposed supplier together with such evidence of conformity with our specifications and program specifications as we may reasonably require. We will have the right to require our representative be permitted to inspect the supplier's facility and samples from the supplier to be delivered for evaluation and testing, either to us or to an independent testing facility we designate. You may be required to pay a charge not to exceed the reasonable costs of evaluation and testing. Our criteria for supplier approvals are contained in the Manual. Within 30 days after our receipt of the completed request or completion of the evaluation and testing (if required by us), we will notify you in writing of our approval or disapproval of the proposed supplier. Approval will not be unreasonably withheld. You must not sell or offer for sale any products or services from a proposed supplier until you receive our written approval of the proposed supplier.

We may revoke our approval of specific products or suppliers if we determine in our sole discretion the products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing or selling any disapproved product.

We may also consider the impact of an additional supplier (and consequent reductions in supplier volume and increase in distribution expense) on the overall supply chain being utilized by the system.

Issuance of Specifications and Standards

We issue specifications and standards regarding authorized TAKAGI COFFEE Products to our franchisees through the Manual and other communications in writing or by email. We also issue specifications and standards regarding authorized TAKAGI COFFEE Products to designated and approved suppliers in writing or by email. We may modify these specifications and standards at any time but only after delivering written notification of the modifications and providing our franchisees or suppliers a reasonable amount of time to implement the modifications.

Revenue from Franchisee Purchases

As of December 31, 2022, neither we nor any affiliate derived revenue, rebates or other material consideration based on required purchases or leases by TAKAGI COFFEE franchisees.

Payments to us, our designees, and our approved suppliers, or under our specifications (i) in establishing your Outlet will range from 14% to 20% of your total initial investment and (ii) in operating your Outlet will be approximately 30% of your total monthly expenses.

Cooperatives

We are not presently involved in any purchasing or distribution cooperatives.

Negotiated Prices

We do not negotiate purchase agreements with suppliers for the benefit of Board and Brew franchisees, although we may do so in the future.

Material Benefits Based on Franchisee Purchases

Currently, we do not provide any material benefits to you based on your purchase of specific products or services or use of specific suppliers.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in franchise agreement	Section in area development agreement	Disclosure document item
a.	Site selection and acquisition/lease	7.1, 7.2	Exhibit 1	6,11
b.	Pre-opening purchases/leases	7.2, 7.3	2.2	8
c.	Site development and other pre-opening requirements	7.1, 7.2	2.1, Exhibit 1	6, 7, 11
d.	Initial and ongoing training	6.1-6.4	Not applicable	11
e.	Opening	3.3, 7.2, 7.3	2.1, Exhibit 1	11
f.	Fees	4.1-4.7, 12.2(c)(vii)	3.1, 3.2	5, 6
g.	Compliance with standards and policies/operating manual	8.1-8.3	Not applicable	11
h.	Trademarks and proprietary information	8.8, 9.1-9.5	5.2	13,14
i.	Restrictions on products/services offered	3.2, 3.4, 8.1, 8.13	1.1, 1.4	16
j.	Warranty and customer service requirements	3.3, 8.1	Not applicable	11
k.	Territorial development and sales quotas	Not applicable	1.2,1.5, 2.4, Exhibit 1	12
l.	Ongoing product/service purchases	7.3	Not applicable	8
m.	Maintenance, appearance and remodeling requirements	5.2, 7.2, 8.5	Not applicable	11
n.	Insurance	8.10	Not applicable	6, 8
o.	Advertising	4.3, 7.4, 8.8, 8.13	5.2	6,11
p.	Indemnification	16.2	Not applicable	6
q.	Owner's participation/management/staffing	3.6, 6.1, 6.2, 8.1, 12.6	Not applicable	11,15
r.	Records and reports	8.7	Not applicable	6
s.	Inspections and audits	8.7, 8.11	Not applicable	6,11
t.	Transfer	12.1-12.7	4.1, 4.2	17
u.	Renewal	5.2, 5.3	Not applicable	17
v.	Post-termination obligations	11.2, 15.1, 15.2	6.2	17
w.	Non-competition covenants	11.1-11.3	5.1, 5.2	17

	Obligation	Section in franchise agreement	Section in area development agreement	Disclosure document item
x.	Dispute resolution	14.1-14.5	7.1-7.5	17
y.	Compliance with anti-terrorism and other federal laws	16.12	Not applicable	Not applicable

ITEM 10: FINANCING

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

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

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

Pre-Opening Assistance

Before you open your business, we will:

- (1) Designate your franchise territory (see section 3.1 and Exhibit 1 of the Franchise Agreement).
- (2) Provide you with initial training and orientation in the TAKAGI COFFEE system and how to operate an Outlet (see section 6.1 of the Franchise Agreement and the Training Program described below in this Item 11). Your General Manager and Principal Equity Owners must successfully complete initial training to our satisfaction before you can open your Outlet.
- (3) Provide you with a general plan for the layout, furnishing and equipping of your Outlet, together with a suggested menu board, written schedule of all TAKAGI COFFEE Products and other food items and beverages that must be sold at your Outlet, and a list of approved and designated suppliers (see section 7.2 of the Franchise Agreement); provided however, we do not deliver or install the items.
- (4) Provide you with a copy of the Manual (see section 8.2 of the Franchise Agreement).

We may but are not obligated to assist you in selecting a site for your Outlet. Although we do not typically pre-select the site for your Outlet, we must give our final consent to the location before your Outlet can be placed there (see section 7.2(b) of the Franchise Agreement). You and your landlord may be required to complete and sign a rider or addendum to the lease that (i) grants us an option to assume your position as lessee under the lease for the Outlet premises if you are in material default of either the lease for the Outlet premises (including an obligation of the landlord to notify us if you are in default) or the Franchise Agreement, and (ii) requires the landlord to fully cooperate with us in completing de-identification of the Outlet if the Franchise Agreement is terminated or expires without being renewed. You have 180 days after signing the Franchise Agreement to locate an acceptable site for your Outlet. We will review and either consent to or decline the proposed site for your Outlet within 10 business days after you provide us with its address. If you are unable to locate an acceptable site within 180 days, we can cancel the Franchise Agreement (see section 7.2(a) of the Franchise Agreement), in which case all or part of the Initial Franchise Fee will be refunded after deducting any legal fees, administrative and other expenses incurred. The factors that we consider in consenting to a site for the Outlet include general location and neighborhood, population demographics and

probable awareness of the TAKAGI COFFEE brand, traffic patterns, parking, size, physical characteristics of existing buildings and lease or rental terms. We do not typically own and lease to you the premises on which the Outlet will be located.

We will not provide any assistance with conforming the premises to local ordinances and building codes and obtaining any required permits, and/or constructing, remodeling, or decorating the premises, and/or hiring and training employees.

Length of Time to Open the Outlet

We estimate the typical length of time between the signing of the Franchise Agreement (when you make your first payment to us for the franchise) and the opening of your Outlet will be 360 days. Factors that may affect this length of time include the satisfactory completion of initial training by your designated attendees, location of an acceptable site, ability to obtain an appropriate lease, financing arrangements, compliance with zoning and local ordinances, weather conditions, shortages, the contractor's ability to complete construction of the Outlet, and delivery and installation of equipment, fixtures and signs. If you do not begin operating your Franchised Business within 180 days after we consent to the site for your Outlet, or within 360 days after you sign the Franchise Agreement, we can cancel the Franchise Agreement (see section 7.2(a) of the Franchise Agreement) and if we do so under those circumstances, we are not obligated to refund your initial franchise fee and development fee under an ADA.

Post-Opening Assistance

During the operation of the franchised business, we:

(1) Will provide you with access to, and integrate information about your Outlet into, the TAKAGI COFFEE website (see sections 6.2 and 6.3 of the Franchise Agreement).

(2) Will be reasonably available by phone and e-mail for guidance in the operation and management of your Outlet and your compliance with the guidelines and procedures in our Manual (see sections 6.2 and 6.3 of the Franchise Agreement). We do not provide you with assistance in hiring, supervising or discharging employees, nor do we provide any advice on employment law or regulations, except to strongly recommend you engage the services of an attorney competent to advise you on employment law matters in your state.

(3) May visit you periodically at no cost to you to provide additional sales and administrative review and assistance, including assistance with establishing and using administrative, bookkeeping, accounting and inventory control procedures. If you request this assistance and we agree to provide it, you must reimburse us for the cost of our representative's transportation and lodging. We may also, at our discretion, charge an additional training fee of up to \$750 per day for TAKAGI COFFEE training courses, seminars, conferences or other programs that we require you or your representatives to attend. The nature, frequency and duration of this assistance by our representatives will be in our sole discretion. (See section 6.2 of the Franchise Agreement.)

(4) In connection with your ongoing obligation to maintain the Outlet in accordance with our standards, will notify you if the general state of repair, appearance or cleanliness of your Outlet or its fixtures, equipment or signs do not meet our standards, and specify the action you must take to correct the deficiency (see section 8.11 of the Franchise Agreement).

(5) May conduct a system-wide mandatory meeting (or annual convention) not more than once a year in California or other location we designate. Attendance of the General Manager and at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for all other Principal Equity Owners). You must pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings. (See section 6.3 of the Franchise Agreement.)

(6) May recommend retail prices for TAKAGI COFFEE Products you sell at your Outlet, and other products and services we authorize for sale at your Outlet (to enhance uniformity in the delivery of goods and services to retail customers by our franchises and the strength of our Marks in inter-brand competition), and if we do so, you may not advertise or promote (whether by telephone, printed materials or any other media, including, without limitation, social media) retail prices that are inconsistent with these recommended prices (see section 8.1(b) of the Franchise Agreement). However, we do not set retail prices you must charge customers for TAKAGI COFFEE or other authorized merchandise you sell at your Outlet.

Advertising Program for the Franchise System

Currently, we are neither charging nor have we collected or expended any advertising fees collected from our franchisees. However, in our sole discretion, upon 30 days' prior written notice, we may require you to pay us a monthly Marketing and Promotion Fee ("Ad Fund") of 1% of your Gross Revenues (see section 4.3 of the Franchise Agreement). We determine, in our sole discretion, the cost, form or media, content, format, production and timing, including regional or local concentration and seasonal exposure, location and all other matters involving advertising, public relations and promotional campaigns involving our trademarks.

When we establish and start collecting the Ad Fund, we will select media and locale for media placement at our discretion. We plan to use television, radio, print, direct mail, digital, social and mobile media and restaurant point-of-purchase advertising. We will use national and regional advertising agencies to produce and place our advertising materials. None of the Ad Fund will be used to solicit new franchise sales.

The Ad Fund will use all contributions made to it and any earnings to pay the costs of maintaining, administering, directing and preparing market research, advertising and/or promotional activities, including placement of national media campaigns and promotions. We do not have to spend any minimum amount from the Ad Fund, or from any other source, on advertising in the territory in which our Outlet is located.

We maintain all sums paid to the Ad Fund in an account separate from our other funds. We maintain separate bookkeeping accounts for the Ad Fund. We anticipate that all contributions to, and earnings of, the Ad Fund will be spent for market research, advertising or promotional purposes during the taxable year in which these contributions and earnings are received. If, however, there are balances in the Ad Fund at the end of the taxable year, the amounts will be carried over to the following taxable year(s).

We do not use the Ad Fund to defray our expenses except for expenses we incur administering the Ad Fund and in running advertising and marketing programs for the TAKAGI COFFEE system. We may charge the Ad Fund for our reasonable costs for market research, production and distribution of advertising materials. We will, upon request, provide you with an annual unaudited accounting of receipts and disbursements of the Ad Fund.

We do not plan to establish an advertising council composed of franchisees.

Although we do not require any grand opening advertising or minimum ongoing local advertising expenditure by you, we encourage you to spend additional amounts on the local marketing, advertising and promotion of your Outlet, using marketing and promotional materials pre-approved in the Confidential Manual or otherwise authorized in writing by us (see section 4.3(c) of the Franchise Agreement).

On a national or regional basis, we may impose an assessment on all affected TAKAGI COFFEE franchisees for special advertising or promotional activities if franchisees owning two-thirds of all affected franchised territories agree to this assessment, confirmed in writing by each franchisee (see section 4.3(d) of the Franchise Agreement).

You are obligated to maintain and occasionally refurbish the Outlet to conform to our currently effective "Trade Dress" (as defined in the Franchise Agreement) and color standards for TAKAGI COFFEE Outlets. This maintenance and refurbishment may require expenditures by you on structural changes, installing new equipment, remodeling, redecoration and modifications, or to accommodate new TAKAGI COFFEE Products. You must maintain all equipment and furnishings used at the Outlet in good working order and make repairs or perform maintenance as needed. You also must make all upgrades to equipment and any technology used in the Outlet that we may require, and we may periodically require you to update the Trade Dress (possibly including installation of new color schemes, logos, signage or other visual elements) used at the Outlet. Details on Trade Dress updates will be contained in the Manual or as otherwise provided to you in writing. We anticipate that Trade Dress updates will be required no more frequently than once every five years (see section 8.5 of the Franchise Agreement).

Although we are not obligated to do so, we may provide you with general advertising programs and sales promotion, campaign and sample advertising materials. You may develop advertising materials for your own use, at your own cost. But we must approve all advertising materials in advance and in writing.

We are not presently involved in any advertising cooperatives. Nor, do we intend to create advertising cooperatives in the future.

Electronic Cash Registers and Computer Requirements

You must purchase or lease, and use at your Outlet, the POS System we designate to track and process retail sales at the Outlet (see section 8.4(a) of the Franchise Agreement). We estimate the cost of purchasing this POS System is between \$5,000 and \$10,000. You will use this POS system to complete point-of-sale transactions and track your sales. The POS System will store information concerning your sales, inventory, accounting and other operations. You must provide all assistance we require to bring your POS System on-line with our headquarters computer at the earliest possible time and to maintain this connection as we require. We may retrieve all information that we consider necessary, desirable or appropriate. There are no contractual limitations on our right to access information.

We require you to maintain an e-mail account and always connect the POS System to a dedicated Internet line (or other communications medium specified by us) capable of allowing

us access to your POS System through the Internet. We will have independent access to your POS system and there are no contractual limits on our independent access to the information and data stored on your POS System. You are responsible for all ongoing maintenance and repairs and upgrades. We anticipate that the annual cost of optional or required maintenance, updating, upgrading, operating or support contracts regarding the POS System will range from \$1,200 to \$2,400. You will not be required to replace the POS System any more frequently than once every three years.

In addition to the POS System, we may also require that you purchase, use and maintain a personal computer system (including all related hardware and software) as specified in the Manual or otherwise by us in writing for use at the Outlet (see section 8.4(b) of the Franchise Agreement). We estimate the cost of purchasing the personal computer system is between \$1,000 and \$1,500. Currently we do not specify or recommend the brand or type of business computer you use. But if this changes, you will be notified. We also require you to maintain an e-mail account and communicate with us regularly concerning sales and operations at your Outlet, in the manner we specify in the Manual or otherwise in writing. (See section 8.4(b) of the Franchise Agreement.) We estimate that the annual cost of optional or required maintenance, updating, operating or support contracts regarding the personal computer and email account is \$1,200 to \$2,400. The personal computer system will store information concerning your sales, marketing, inventory, accounting, customers and other operations. We will have independent access to your personal computer system and there are no contractual limits on our independent access to the information and data stored on your personal computer system.

Operations Manual

We will loan you one copy of our Manual (containing a total of 103 pages, plus exhibits) during the relevant phases of initial training (see section 8.2 of the Franchise Agreement). The Manual contains mandatory and suggested specifications, standards and procedures for operation of your Outlet.

We will periodically modify the Manual, and you must comply with these changes when you receive them, but no modification will alter your status and rights under the Franchise Agreement. This Manual is confidential and remains our property. If you lose or allow the unauthorized duplication of the Manual or any other confidential manuals or proprietary materials loaned to you by us, you will be deemed to be in violation of this Agreement and all other agreements you have with us (see section 8.2 of the Franchise Agreement) and we would be entitled to recover damages from you).

The following is the Table of Contents of the Manual as of the date of this disclosure document:

Topic	Number of Pages
Chapter 1 - Fundamentals	13
Chapter 2 - Services	16
Chapter 3 - Kitchen Operation Foundation Prep Work Cooking	44
Chapter 4 - Recipes	30
Total Pages	103

Currently, we have no policy under which we will render services to you not required by your Franchise Agreement (or other agreements with us) or the Manual.

TRAINING PROGRAM

Week	Topics	Hours of Classroom Training	Hours of On The Job Training	Location
1	Overview orientation; Personal introduction; Vocal training; Introduction to welcoming, taking orders, serving, check and payment, and cleaning table; Prep for side dishes; Cleaning guest seats; Opening.	20	20	Irvine, California
2	Customer service; Closing.	20	20	Irvine, California
3	Kitchen operation - Rice management; Rice placement in a plate basics; How to handle peak time; Cooking appetizers; What to do during idle time.	0	40	Irvine, California
4	Kitchen operation - Training for fryer position basics; How to handle peak time; Opening; What to do during idle time.	0	40	Irvine, California
5	Kitchen operation - Training for sauce position 1; How to handle peak time; Cooking omelets; Opening (repeat).	0	40	Irvine, California
6	Kitchen operation - Training for sauce position 2; How to handle peak time; Closing (repeat); Cleaning store.	0	40	Irvine, California
7	Prep operation - cooking pork, beef and chicken; Ordering food and supplies; Managing inventory.	20	20	Irvine, California
8	HR management; Shift and scheduling management; POS training; Handling tips; Reporting; Handling complaints; Profit and loss management.	40	0	Irvine, California
Total		100	220	

The “Initial Training” program above (320 hours over eight weeks) is effective as of the date of this disclosure document. Initial Training is typically provided within 10 weeks before your Outlet opens and is scheduled as necessary (but no more frequently than every 10 weeks). All classroom training takes place in Torrance, California, or another training center we designate. All on-the-job training takes place in a designated TAKAGI COFFEE restaurant in southern California.

The instructional material consists of appropriate handouts and information directly from the Manual. Currently, our Initial Training instructor is Tatsuyuki Sakamoto, who has been with us since 2016. He’ll oversee an initial and ongoing kitchen training. However, the Initial Training instructor is sometimes assisted by our operations staff and other employees. All the Initial Training instructors will have a minimum of two years of kitchen operations at Takagi Coffee outlets.

We do not charge for Initial Training for one designated General Manager and up to four other persons (who are Principal Equity Owners or otherwise to be involved in managing or operating

the Outlet). If you want us to train other persons, we may but are not obligated to do so and if we do, each additional trainee may have to pay us \$2,000 for this training. In addition to the designated General Manager, at least one other person who is qualified to serve as General Manager must attend Initial Training. You must pay all travel and living expenses of persons you send to training.

The successful completion of Initial Training to our satisfaction by your designated General Manager is a condition to your being authorized to open and operate your Outlet. Initial Training must be completed within 180 days after you sign the Franchise Agreement. If your designated General Manager fails to complete initial training satisfactorily, you will have the option of sending a replacement approved by us to Initial Training. You must then reimburse us for our costs in providing this replacement Initial Training plus a training fee of \$250 per day. If your designated General Manager requests an extension of Initial Training beyond eight weeks, we will provide this extended Initial Training for the first three days at no charge, but we will charge \$250 per day for the fourth and each subsequent day of Initial Training.

Additional on-site training at your Outlet may be provided when you open your Outlet. We may provide you with proprietary information and related materials for use in training your staff. These materials are our sole property and must be returned to us when you are finished with them. We will conduct both oral and practical evaluations and issue a Certificate of Completion upon successful completion at the conclusion of the training.

No additional training programs or refresher courses are required. However, you can request additional on-site training or assistance at any time. We may provide it at our option, but the Franchise Agreement does not require us to do so.

We may periodically conduct an annual conference, convention or training session, and if we do, we will determine its duration, curriculum and location (section 6.3 of the Franchise Agreement). Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your General Manager and all other Principal Equity Owners).

You must pay all the expenses incurred by your trainees or attendees in connection with the Initial Training Program and any other training, conferences, conventions or other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging and other living expenses (see sections 6.1(e), 6.2(f) and 6.3 of the Franchise Agreement).

ITEM 12: TERRITORY

We grant you the right to operate a single Outlet at specific location that we accept within a specific geographic exclusive area (the "Territory"). By "exclusive" Territory we mean that so long as you continue to fulfill your material obligations under your Franchise Agreement (as reasonably determined by us), we will not grant a TAKAGI COFFEE franchise to any other person, nor will we or any of our affiliated entities operate an Outlet, within your Territory. Our acceptance of a location will be based upon a variety of factors which may include the viability of the location, a minimum of 50,000 population and demographics including, number of households, household income, vehicular traffic and the number of potentially competing full-service and fast casual restaurants near the proposed location. Our acceptance of a proposed location is not a guarantee that your Outlet will be successful at that location or anywhere else.

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 may relocate your Outlet with our written consent, which will not be unreasonably withheld. Not less than 90 days before the desired date of relocation (unless prior notice is impractical because of a required relocation in which event your notice must be given as soon as possible), and before you sign any lease or rental agreement for the new location (which we must approve in writing), you must make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location. Within 20 business days after we receive your request, we will either approve or disapprove in writing such closure or relocation in our sole discretion. If we disapprove of a proposed relocation, you may request an alternative proposed new location.

If you execute an ADA, you will be granted an exclusive (so long as the ADA is in effect) right to open a mutually agreed number of additional Outlets under a mutually agreed development sched. If you fail to achieve the Development Schedule, you may still open Outlets within the Development Area but will lose the exclusive right to do so, and we may allow others to open additional Outlets within the Development Area. You must enter into a separate Franchise Agreement for each additional Outlet you open under the ADA, and these agreements will grant a separate franchise territory within a defined area surrounding each Outlet. Otherwise, we do not grant you options, rights of first refusal or similar rights to open additional Outlets under the Franchise Agreement or the ADA, and you may not open additional TAKAGI COFFEE businesses or engage in activities that are equivalent to the franchised business outside the Territory.

We do not currently, nor do we have any plans in the future to, operate or franchise businesses under a different trademark that will sell goods or services like those you will offer. However, we reserve the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to us, without necessarily granting you any rights in those systems. We reserve all rights to market and sell TAKAGI COFFEE Products under our principal trademarks or different trademarks at venues other than Outlets and through other channels of distribution (including the Internet), within your Territory and anywhere else.

We will not pay you compensation for soliciting or accepting orders in your Territory at venues other than Outlets, or through other channels of distribution.

You may only offer and sell TAKAGI COFFEE Products to customers at your Outlet, and you are restricted from advertising TAKAGI COFFEE Products outside your Development Area without our prior written consent. You may not engage in any mail order solicitations, catalog sales, telemarketing or television solicitation programs, or use any other advertising media outside of your Development Area without our prior written approval. Also, you may not offer or sell TAKAGI COFFEE Products directly or indirectly through the Internet, except as authorized by us in the Manual or otherwise in writing. We will publish all website content and we will list your Outlet location on our master web site. We will maintain the "Uniform Resource Locator" (or "URL") for the TAKAGI COFFEE website and you may never own any Internet domain name that contains any of the Marks. Under no circumstances are you authorized to establish your own personal websites (except social media sites) for the purpose of advertising your Outlet or our Brand or other principal trademarks.

Although we have no current plans to do so, we reserve the right to offer and sell other types of franchises that are not directly competitive with the TAKAGI COFFEE franchise.

The continuation of your exclusive rights to the Territory does not depend on you attaining a minimum level of sales, revenues or market penetration, or another contingency. The continuation of your exclusive rights to develop Outlets under the ADA does depend on your meeting the development schedule described in the ADA. Neither the Territory granted by the Franchise Agreement nor the development area described in the ADA may be altered except if you and we mutually agree. You will maintain rights to your Territory and the development area described in the ADA even if the population in that geographic area increases.

ITEM 13: TRADEMARKS

You are licensed to operate and identify the Outlet under the principal trademark “TAKAGI COFFEE” and logotype displayed on the cover of this disclosure document and other current or future trademarks. On May 2, 2021, SUN PARK Co., Ltd. registered the principal trademark “TAKAGI COFFEE” (stylized with design) with the Madrid Goods and Services Manager (“MGS”), on the Principal Register in classes 030 and 043 (coffee and other food items and restaurant services), registration number 6349696. All the registrations above are in good standing as of December 31, 2022. We have filed all required affidavits. No registration has been renewed as of December 31, 2022.

All trademarks are owned by SUNPARK Co., Ltd., which granted us a trademark license (the “Trademark License”) and right to use the Marks and to grant licenses to use the Marks to TAKAGI COFFEE franchisees. The Trademark License will continue until it is terminated. If the Trademark License were to be terminated, TAKAGI COFFEE franchisees would have the right to continue to use the Marks while operating their franchised Outlets under their Franchise Agreements for not less than the existing term of the Franchise Agreement. Except as described above, no agreements limit our rights to use or license the use of the trademarks.

You must follow our rules when you use the Marks. You cannot use our principal trademark as part of the name of your entity, or with modifying words, designs or symbols except for those which we license to you. You may not use the trademarks in connection with the sale of any unauthorized product or service, or in any manner that we have not authorized in writing.

We have the right to control any administrative proceedings or litigation involving a trademark licensed to you by us. You must notify us promptly when you learn about an alleged infringement, unfair competition, unauthorized third-party use of or challenge to your use of the trademarks. We then will promptly take the action we think appropriate. We have no obligation to defend or indemnify you if the claim against you relates to your use of the trademarks in violation of the Franchise Agreement.

If you learn that any third-party whom you believe is not authorized to use our trademarks is using them or any variant of them, you must promptly notify us. We will determine whether to take any action against the third party.

At your cost and expense, you must modify or discontinue the use of a trademark if we or the trademark owners modify or discontinue it. You have no rights to compensation or otherwise under the Franchise Agreement if we require you to modify or discontinue using a trademark. You

may not directly or indirectly contest our or the trademark owners' rights to the trademarks, trade secrets or business techniques that are part of our business.

There are no infringing uses or superior previous rights known to us which can materially affect your use of the trademarks in this state or any other state in which the franchised business is to be located.

The Franchise Agreement provides that if you or your employees, agents and subcontractors or any other party who you may contract with create any materials containing or associated with the trademarks, including artwork, graphics, layouts, slogans, domain names, other names, titles, text or similar materials, these will become our sole property, including trademark rights, and the creators of these materials must respect our intellectual property rights in these materials.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own rights in, or licenses to, patents or copyrights that are material to the franchise and you do not receive the right to use any item covered by a patent or copyright. However, we assert a common law copyright on the contents of the Manual and other proprietary systems manuals, and only you or your authorized employees can have access to and use the proprietary information in the Manual and other proprietary systems manuals, but you will not acquire any other rights because of this use.

You must immediately notify us if you become aware of any infringement or inappropriate use of the Manual or other proprietary systems manuals. We will then take whatever action we deem appropriate, and will control any litigation, to protect our copyright in the Manual or other proprietary systems manuals. You will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without our prior written consent. We will defend, compromise or settle at our discretion any claim, suit or demand relating to our copyrights and take steps to stop misuse at our cost and expense, using attorneys selected by us or by SUNPARK CO., LTD., and you agree to cooperate fully in such matters. If the infringement or inappropriate use results from your negligence or willful action, you must reimburse us all our expenses in protecting our copyright.

The Franchise Agreement provides that if you or your employees, agents and subcontractors or any other party who you may contract with create any materials containing or associated with the Marks, including artwork, graphics, layouts, slogans, domain names, other names, titles, text or similar materials, these will become the sole property of SUNPARK CO., LTD., including copyrights.

We do not currently have any pending patent applications that are material to the franchise.

Our intellectual property, whether the subject of a patent, copyright or not, also is protected by common law principles which limit the use of our confidential proprietary information, except as we have licensed it. We will enforce those rights as we determine.

Our Proprietary Rights in Other Confidential Information

You may never reveal any of our confidential proprietary information or trade secrets to another person or use it for another person or business. You may not copy any of our confidential proprietary information or disclose it to a third party except as we authorize. You must also promptly tell us when you learn about unauthorized use of any of our confidential proprietary information. We are not obligated to take any action but will respond to your notification of unauthorized use as we think appropriate.

The Franchise Agreement grants us the right at any time to use the name, image and likeness of you and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, TAKAGI COFFEE Products, any TAKAGI COFFEE restaurant or retail outlet and the TAKAGI COFFEE system, without any form of compensation or remuneration.

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

Although a General Manager must always be on duty while the Outlet is open, Principal Equity Owners are not required to personally participate in the direct “on premises” management and operation of the Outlet. Each Principal Equity Owner (and their spouse if applicable) signs a Guarantee of Franchise Agreement (attached as Exhibit 3 of the Franchise Agreement) requiring them to ensure that all obligations of the franchisee under the Franchise Agreement (including provisions related to payments to franchisor, confidentiality and non-competition) are fulfilled.

You must disclose the identity of the General Manager to us and if for any reason the General Manager is no longer acting in this capacity, you must notify us immediately and in writing. The General Manager cannot have an interest or business relationship with any of our business competitors. The General Manager must devote full time during normal business hours to the management, operation and development of the Franchised Business. We do not require your General Manager to have any ownership interest in your business, although he or she may do so. The General Manager and other key employees of a franchised Outlet may be required to sign a non-competition agreement like the non-competition agreement contained in your Franchise Agreement.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell at the Outlet only those goods and services that we have approved.

You must offer and sell at your Outlet only TAKAGI COFFEE Products (which must be obtained from us, our affiliated entities or designated vendors) and other goods and services that we authorize as required for all franchisees.

We have the right to change and add other authorized goods and services that you will be required to offer. And, we may require you to comply with other requirements, such as training, marketing or insurance, before we will allow you to offer additional goods or services. There are no limits on our right to do so.

There are no restrictions on the customers to whom you may sell TAKAGI COFFEE Products and related products at your Outlet.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in franchise agreement	Section in area development agreement	Summary
a.	Length of the franchise term	5.1	1.3, Exhibit 1	The initial term of the Franchise Agreement is 10 years from the date your Outlet opens. The term of the ADA is until all Outlets have been opened under the Development Schedule.
b.	Renewal or extension of the term	5.2	2.4	You can add additional 10-year terms upon written notice delivered to us not less than 180 days before the end of the existing term. However, we are not obligated to renew your Franchise if one or more of the conditions in section 5.2(c) of the Franchise Agreement apply to you. The ADA is not renewable unless the Development Schedule is satisfied, and a new Development Schedule is agreed to.
c.	Requirements for franchisee to renew or extend	5.2	2.4	Sign our then current Franchise Agreement modified for renewal ("Renewal Franchise Agreement") or an addendum to your existing Franchise Agreement extending its term, remodel your Outlet (if necessary) and pay renewal fee. The Renewal Franchise Agreement you sign may have materially different terms and conditions than your original Franchise Agreement, but the boundaries of the Territory and the recurring fees you pay us will remain the same. The ADA is not renewable unless the Development Schedule is satisfied, and a new Development Schedule is agreed to.
d.	Termination by franchisee	13.1	Not applicable	If we are in material breach (beyond any applicable cure periods), you can terminate the Franchise Agreement or ADA on any grounds available by law.
e.	Termination by franchisor without cause	Not applicable	Not applicable	Not applicable.
f.	Termination by franchisor with cause	13.1-13.7	6.1	We can terminate your franchise agreement only if you are in material default of that agreement. We cannot terminate the Franchise Agreement solely because we terminate an ADA that we executed with you (or your affiliated entity). However, we can terminate an ADA if you (or your affiliated entity) fail to meet the development schedule under the ADA or you are in material breach of any Franchise Agreement that you (or your affiliated entity) signed with us. (This provision is subject to state law.)

	Provision	Section in franchise agreement	Section in area development agreement	Summary
g.	"Cause" defined – curable defaults	13.3	2.4, 6.1. 6.2	You have 30 days after notice to cure monetary defaults and other defaults under your Franchise Agreement (including defaults under a lease for your Outlet) and the ADA that can be cured. (This provision is subject to state law.)
h.	"Cause" defined – non-curable defaults	13.2	Not Applicable	Non-curable defaults under the Franchise Agreement: your bankruptcy or insolvency; your abandonment of the franchised business; you make material misrepresentations relating to the your acquisition of the Franchise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the TAKAGI COFFEE System; you fail, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchise; after curing any default, you engage in the same noncompliance whether or not such noncompliance is corrected after notice; you repeatedly fail to comply with one or more material requirements of the Franchise Agreement, whether or not corrected after notice; the Franchised Business or your Outlet is seized, taken over, or foreclosed by a government official, creditor, lien holder or lessor, or that a final judgment against you remains unsatisfied for 30 days; you are convicted of a felony or any other criminal misconduct that is relevant to the operation of the Franchise; we make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety. (This provision is subject to state law.) There are no non-curable defaults under the ADA.
i.	Franchisee's obligations on termination or non-renewal	15.1	6.1, 6.2	Obligations include removal of our Brand and other trademarks, return of all confidential and proprietary information and erasure of all copies of confidential and proprietary information, assigning us your lease to the Outlet premises if we choose to take it over, forwarding of telephone number and payment of amounts due (also see r. in this Table, below). We can do some of these things if you fail to do them.
j.	Assignment of contract by franchisor	12.1	4.1(b)	No restriction on our right to assign the Franchise Agreement or the ADA. (However, no assignment of the Franchise Agreement will be made except to an assignee that in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.)

	Provision	Section in franchise agreement	Section in area development agreement	Summary
k.	"Transfer" by franchisee – defined	12.2	4.1, 4.2	Any partial or complete assignment, sale, transfer, or encumbrance or any interest in your Franchise Agreement, your Outlet or any of its assets, and certain changes in ownership of you if you are an entity. Includes any transfer to a corporation, partnership, limited liability company, or other entity; any conversion, dissolution, merger, consolidation, or other reorganization, or sale or other transfer of any shares or membership units to a person or entity that is not an existing shareholder or member, or any sale of assets or change in the chief executive, operating, or financial officer or any manager; any change in or withdrawal of any partner or conversion, merger, consolidation, or other reorganization or any dissolution of the partnership; and any transfer from one person to any other. Under the ADA, no transfer is permitted except to an entity formed by an individual area developer to operate Outlets under the ADA provided the entity is owned 100% by the individual area developer.
l.	Franchisor's approval of transfer by franchisee	12.2	4.2	We have the right to approve all transfers of the Franchise Agreement, but we will not unreasonably withhold approval. The ADA may not be assigned by the Area Developer except to an entity entirely owned by the former area developer.
m.	Conditions for franchisor approval of transfer	12.2	4.2	Under the Franchise Agreement, the new franchisee must meet our qualifications, a transfer fee of \$10,000 must be paid, training of the new franchisee must be arranged, a release must be signed by you, and our current form of Franchise Agreement must be signed by new franchisee (this also applies any time a majority equity interest in your franchised entity is transferred). Within 60 days after our receipt of all necessary information and documentation required under the Franchise Agreement, or as specified by written agreement between us and you, we will notify you of our approval or disapproval of your proposed transfer of the Franchise. The ADA may not be assigned by the Area Developer except to an entity entirely owned by the former area developer.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
n.	Franchisor's right of first refusal to acquire franchisee's business	12.3	Not Applicable	We can match any legitimate offer for your business, but we have no right of first refusal if the transfer is (i) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan or (ii) a transfer of less than 100% of the equity interest of a franchisee entity). The ADA may not be assigned by the Area Developer except to an entity entirely owned by the former area developer and no right of first refusal exists.
o.	Franchisor's option to purchase franchisee's business	15.2(d)	Not Applicable	Within 30 days after the termination, expiration or non-renewal of the Franchise Agreement, we have the option, but not an obligation, to purchase all or any portion of your reusable inventory, apparel containing the Marks, proprietary equipment, parts, fixtures and furnishings owned and used by you in your franchised operation. (This provision is subject to state law.) We have no right or obligation to purchase your assets upon termination or expiration of the ADA.
p.	Death or disability of franchisee	12.6	Not Applicable	Franchise must be assigned by estate to approved buyer within 270 days. During any period of your incapacity or until the business is sold, we can place an interim manager in your Outlet, and you must pay us up to \$750 per day as compensation for the interim manager, plus the manager's transportation, lodging and related living expenses.
q.	Non-competition covenants during the term of the franchise	11.1, 11.3	5.1	Under the Franchise Agreement and the ADA, you may not be involved in a competing business anywhere.
r.	Non-competition covenants after the franchise is terminated or expires	11.2, 11.3	5.1	Under the Franchise Agreement, you cannot be involved in any competing business for two years within 25 miles of your Outlet or any other TAKAGI COFFEE retail location (this obligation also applies to you if you assign your franchise). Under the ADA, for one year after the ADA is terminated or expires you must comply with the non-competition covenants contained in the last effective Franchise Agreement executed by you or your affiliated entity. (This provision is subject to state law.)
s.	Modification of the agreement	8.2, 16.14(c)	9.2	No modifications to the Franchise Agreement or ADA unless signed by you and us, but we may modify the Manual unilaterally. (This provision is subject to state law.)

	Provision	Section in franchise agreement	Section in area development agreement	Summary
t.	Integration/merger clause	16.14	9.10	Only the Franchise Agreement, ADA and other agreements you sign with us and the requirements, procedures, and policies in the Manual are binding (subject to state and federal law). You should not rely on any statement or promise not contained in this franchise disclosure document, the Franchise Agreement or the ADA. Any representations or promises outside of those documents may not be enforceable. Nothing in the Franchise Agreement, ADA or in any related agreement disclaims or is intended to disclaim representations made in this franchise disclosure document.
u.	Dispute resolution by arbitration or mediation	14.1-14.5	7.1-7.5	The parties agree in the Franchise Agreement and the ADA to submit disputes (not including your failure to pay us sums due or an act of yours allowing us to immediately terminate the Franchise Agreement) initially to a meeting in person of our executive officers and your Principal Equity Owners at our principal executive office (without our respective legal counsel) within five business days after a party requests this meeting to conduct a good faith discussion and negotiation of the issues with the intention of arriving at a settlement. If this meeting does not resolve the dispute (or the meeting does not occur), within 10 business days after the meeting takes place (or should have taken place), the parties may submit the dispute to a mutually acceptable mediator who is a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. If a mediation takes place but does not resolve the dispute or if no mediation occurs, the dispute will be resolved by arbitration by and before JAMS, Inc. in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than \$250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is \$250,000 or more). Or if the parties mutually agree, the dispute may be submitted to arbitration conducted by another arbitrator.
v.	Choice of forum	14.1-14.3	7.1-7.3	Arbitration proceedings under the Franchise Agreement or ADA will take place in Los Angeles County, California. Any mediation proceeding under the Franchise Agreement or ADA will take place at a mutually agreed location in California. Litigation proceedings will take place in an appropriate court in California. (This provision is subject to state law.)

	Provision	Section in franchise agreement	Section in area development agreement	Summary
w.	Choice of law	16.13	9.1	The Federal Arbitration Act (9 U.S.C. §1 <i>et seq.</i>) governs the arbitration of disputes under the Franchise Agreement and the ADA. Otherwise, the laws of the state where the Outlet is located govern the Franchise Agreement and the laws of the state where the Development Area is located govern the ADA.

ITEM 18: PUBLIC FIGURES

We do not currently pay or provide any other benefit to any other public figure for the right to use his or her name to promote the sale of TAKAGI COFFEE 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 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.

Other than the preceding financial performance representation, SUNPARK USA, INC. does 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 these 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 Jimmie Evans, at 21250 Hawthorne Boulevard, Suite 500 Torrance, California 90503, or by phone at 808-383-6514; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary For years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	0	0	0
	2021	0	0	0
	2022	0	0	0

Table No. 2
**Transfers of Outlets from Franchisees to New Owners
 (other than the Franchisor) For years 2017 to 2019**

State	Year	Number of Transfers
All States	2020	0
	2021	0
	2022	0
Totals	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchised Outlets For years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
All States	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

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

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
None	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Table No. 5
Projected New Franchised Outlets As Of March 15, 2023

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
None	0	0	0
Totals	0	0	0

Note:

1. As of December 31, 2022, we have no franchisee outlets to list for the names, addresses or telephone numbers.
2. We have no franchisees who have either ceased doing business under the Franchise Agreement, have been terminated, canceled or not renewed within the last fiscal year.
3. During the last three (3) fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

ITEM 21: FINANCIAL STATEMENTS

Exhibit A to the disclosure document contains our initial audited financial statement for the period from inception on April 7, 2022 through December 31, 2022, and unaudited financial statement for the period from January 1, 2023 through September 30, 2023. We were organized on April 7, 2022, have not been in business for three years or more, and cannot include all financial statements required under the FTC's Franchise Rule. Our fiscal year ends December 31.

ITEM 22: CONTRACTS

The following agreements and other required exhibits are attached to this disclosure document in the exhibits listed below:

Exhibit B - Franchise Agreement
Exhibit C - Area Development Agreement

ITEM 23: RECEIPTS

You will find copies of a detachable receipt in Exhibit O at the very end of this disclosure document.

STATEMENT OF POLICY

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

Sunpark USA, Inc.

FINANCIAL STATEMENTS

EXHIBIT A



SUNPARK USA INC.

Independent Auditor's Report and
Financial Statements

December 31, 2022



SUNPARK USA INC.

CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED DECEMBER 31, 2022	
Balance Sheet	3
Statement of Income	4
Statement of Changes in Stockholders' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 9
CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	10



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sunpark USA Inc.

Opinion

We have audited the accompanying financial statements of Sunpark USA Inc. (a California corporation) (the "Company"), which comprise the balance sheet as of December 31, 2022, and the related statement of income and changes in stockholder's equity, and cash flows for the period from inception (April 7, 2022) to December 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Sunpark USA Inc. as of December 31, 2022, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sunpark USA 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Sunpark USA Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sunpark USA 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 Sunpark USA 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.

A handwritten signature in blue ink, appearing to read "A. D. & Co. Inc.", is written over a light blue rectangular background.

Fountain Valley, California
June 6, 2023

SUNPARK USA INC.

Balance Sheet

December 31, 2022

ASSETS

Current assets:

Cash	\$ 59,321
Total current assets	<u>59,321</u>

Property and equipment:

Automobile	28,369
Less: Accumulated depreciation	<u>(473)</u>
Net property and equipment	<u>27,896</u>

Other noncurrent assets

Loan receivable-officer	16,738
Security deposit	<u>600</u>
Total other noncurrent assets	<u>17,338</u>

TOTAL ASSETS

\$ 104,555

LIABILITIES

Current liabilities

Total Current Liabilities	<u>\$ -</u>
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Long-term liabilities:

Loan payable to shareholder	<u>50,000</u>
Total long-term liabilities	<u>50,000</u>

TOTAL LIABILITIES

50,000

Stockholder's Equity

Common stock	
Authorized - 20,000 shares, no par value	
Issued and outstanding - 10,000 shares	10,000
Additional paid-in capital	190,000
Retained earnings (deficit)	<u>(145,445)</u>
Total stockholder's equity	<u>54,555</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY

\$ 104,555

SUNPARK USA INC.

Statement of Income

For the Period from April 7, 2022 (Inception) to December 31, 2022

REVENUES

Franchise fees	\$	-
Royalties		-
		-

Operating expenses:

Payroll expenses	79,410
Legal and professional fees	29,132
Travel, meals and entertainment	20,784
Automobile expenses	7,939
Office expenses	4,597
Insurance	3,110
Depreciation	473
Total operating expenses	
	145,445

Loss from operations		(145,445)
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Provision for income taxes		-
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NET LOSS		(145,445)
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SUNPARK USA INC.

Statement of Changes in Stockholder's Equity

For the Period from April 7, 2022 (Inception) to December 31, 2022

	Common Stock		Additional	Retained	Total
	<u>Shares</u>	<u>Amount</u>	Paid-in Capital	Earnings	Stockholder's Equity (Deficit)
Balance at December 31, 2021	-	\$ -	\$ -	\$ -	\$ -
Contributions	-	10,000	190,000		200,000
Net income (loss)	-	-	-	(145,445)	(145,445)
Balance at December 31, 2022	-	\$ 10,000	\$ 190,000	\$ (145,445)	\$ 54,555

SUNPARK USA INC.

Statement of Cash Flows

For the Period from April 7, 2022 (Inception) to December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (145,445)
Adjustments to reconcile net loss to net cash provided by (used for) operations:	
Changes in assets and liabilities:	
Depreciation	473
Increase in loan receivable-officer	(16,738)
Increase in security deposit	(600)
Net cash provided (used) by operating activities	(162,310)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of automobile	(28,369)
Net cash provided (used) by investing activities	(28,369)

CASH FLOWS FROM FINANCING ACTIVITIES

Loan payable to shareholder	50,000
Issuance of common stock	10,000
Amount contributed to additional paid in capital	190,000
Net cash provided (used) by financing activities	250,000

NET INCREASE IN CASH **59,321**

CASH - beginning of year **-**

CASH - end of year **\$ 59,321**

SUPPLEMENTAL INFORMATION

Cash paid for interest	\$ -
Cash paid for taxes	\$ -

SUNPARK USA INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Sunpark USA Inc. (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

History and organization – Sunpark USA Inc. ("SUI") was organized in California on April 7, 2022. The Company was organized for the purpose of franchising a full-service restaurant that serves Japanese style curry dishes, appetizers, beverages, condiments and other consumable food items.

SUI is engaged in the administration, development, operation, and licensing of businesses that operate the franchise unit.

SUI is a business whose planned principal operations is to operate and sell franchises. The Company is currently developing marketing strategies to sell franchises and penetrate U.S. market with its unique operational techniques, service concepts, and proprietary information.

The Company's activities are subject to significant risks and uncertainties, including: (1) the inability to achieve the Company's planned objective and fail in opening and maintaining new franchises and (2) failing to secure additional funding to operationalize the Company's franchise concept.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

Basis of accounting – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2022.

SUNPARK USA INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Property and equipment – Property and equipment is stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which is five years. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewal are charged to expenses as incurred. As of December 31, 2022, depreciation expense was \$473.

Income taxes – The Company accounts for income taxes using the asset and liability method whereby deferred tax asset and liability account balances are determined based on temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established when management estimates that it is more likely than not that deferred tax assets and liabilities will not be realized. Realization of deferred tax assets and liabilities is dependent upon future pretax earnings, and the reversal of temporary differences primarily due to accrual to cash adjustments. Current income taxes are based on the year's taxable income for Federal and State income tax reporting purposes. A valuation allowance was established by management which believes that it is more likely than not that deferred tax assets and liabilities will not be realized.

The Company has adopted FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutes of limitations, audit, proposed settlements, and changes in tax law and new authoritative rulings.

The Company's income tax filings are subject to examination by the appropriate tax jurisdictions. As of December 31, 2022, the Company's federal and state tax returns generally remain open for the last three years.

Revenue recognition – The Company will adopt Topic 606 "Revenue from Contracts with Customers" for revenue recognition related to contracts with customers when the Company generates revenue.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short-term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2022.

SUNPARK USA INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 – RELATED PARTY TRANSACTIONS

At December 31, 2022, the Company had transactions with related parties. These transactions include the following:

- **Loan receivable-officer** – The loan receivable to officer consists of an unsecured demand note with interest at .5% and due on December 31, 2023. The loan receivable to officer balance was \$16,738 at December 31, 2022.
- **Loan payable to shareholder** – The loan payable to shareholder consists of an unsecured demand note with interest at 2% and due on December 31, 2023. The loan payable to shareholder balance was \$50,000 at December 31, 2022.

NOTE 4 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through June 6, 2023, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.



CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To Whom It May Concern:

We consent to the inclusion in the Franchise Disclosure Document issued by Sunpark USA Inc. ("Franchisor") on June 6, 2023, as it may be amended, of our report dated June 6, 2023, relating to the financial statements of Franchisor for the period ended December 31, 2022.

Fountain Valley, California
June 6, 2023

SUNPARK USA INC.

*Financial Statements for the Period Ended September 30, 2023
and Accountants' Disclaimer Report*

Accountants' Disclaimer Report

To the Board of Directors and Management of
Sunpark USA Inc.

October 6, 2023

The accompanying financial statements of Sunpark USA Inc. as of September 30, 2023 and for the period from January 1, 2023 to September 30, 2023, were not subjected to an audit, review, or compilation engagement by us and accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

Tai Otsuka, CPA

Marina del Rey, California

Sunpark USA Inc.
Balance Sheet
September 30, 2023

ASSETS

Current assets:

Cash	\$ 257,120.77
Accounts receivable - net	32,409.63
Inventory	2,491.93
Loans receivable - officer	43,364.59
Total current assets	<u>335,386.92</u>

Fixed assets:

Vehicle	28,368.89
Less accumulated depreciation	(4,728.10)
Net fixed assets	<u>23,640.79</u>

Other assets:

Security deposit	600.00
Total other assets	<u>600.00</u>

Total assets	<u><u>\$ 359,627.71</u></u>
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LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:

Accounts payable - trade	\$ 200.00
Accrued interest	1,638.29
Other payable to shareholder	21,638.59
Payroll liabilities	5,920.75
Total current liabilities	<u>29,397.63</u>

Long-term liabilities:

Loans payable to shareholder	150,000.00
	<u>150,000.00</u>

Stockholder's equity:

Common stock	200,000.00
Additional paid-in-capital	200,000.00
Retained earnings:	(219,769.92)

Total stockholder's equity	<u>180,230.08</u>
Total liabilities and stockholder's equity	<u><u>\$ 359,627.71</u></u>

Sunpark USA Inc.
Statements of Income
For the Period from January 1, 2023 to September 30, 2023

Uniform sales	\$	3,925.81
Cost of goods sold		<u>2,805.05</u>
Gross profit		1,120.76
Rebate income		55,374.63
Operating expenses - schedule		<u>128,382.00</u>
Net operating loss		(71,886.61)
Other income and expense:		
Interest expense	1,638.29	<u>1,638.29</u>
Net loss before income taxes		(73,524.90)
California franchise tax		<u>800.00</u>
Net loss		(74,324.90)

Sunpark USA Inc.
Schedule of Operating Expenses
For the Period from January 1, 2023 to September 30, 2023

Accounting	\$ 9,820.00
Automobile expense	4,635.69
Bank service charges	254.25
Commission and fees	335.08
Continuing education	20.00
Depreciation	4,255.29
Dues and subscriptions	60.00
Employee benefits	12,766.62
Insurance	440.78
Job materials and supplies	7,170.58
Legal fee	14,205.11
Meals and entertainment	2,282.65
Miscellaneous	220.00
Office supplies	309.04
Ourside services	1,245.00
Payroll expense	54,250.00
Payroll service charges	488.85
Payroll tax expense	4,458.14
Postage	616.31
Software and apps	159.00
Telephone	154.14
Travel	9,792.96
Uniform	15.30
Utilities	427.21
Total operating expenses	<u>128,382.00</u>

Sunpark USA, Inc.

FRANCHISE AGREEMENT

EXHIBIT B

TABLE OF CONTENTS

RECITALS.....	1
I. DEFINITIONS	1
II. THE FRANCHISED BUSINESS	4
2.1 Franchisor's Business.....	4
2.2 The Franchise System.....	4
III. GRANT OF FRANCHISE	4
3.1 Grant of Franchise.	4
3.2 Reserved Rights.	4
3.3 Promotion and Development of the Outlet.	4
3.4 Extent of Grant.	5
3.5 Electronic Execution and Copies.....	5
3.6 Obligations of Entity Franchisee.....	5
3.7 <i>Force Majeure</i>	5
IV. INITIAL AND ON-GOING PAYMENTS BY FRANCHISEE	6
4.1 Initial Franchise Fee.....	6
4.2 Royalty.....	6
4.3 Marketing, Advertising and Promotion.	6
4.4 Electronic Funds Transfer.	7
4.5 No Setoff on Payments.....	7
4.6 Late Fee; Interest on Delinquent Payments.	7
4.7 No Accord or Satisfaction.	7
V. INITIAL TERM AND RENEWAL TERMS.....	8
5.1 Initial Term.....	8
5.2 Renewal Terms.	8
5.3 Month to Month Extension; Longer Notice of Expiration Required by Law	9
VI. TRAINING AND ASSISTANCE	9
6.1 Initial Training.	9
6.2 Training and Assistance after Opening.	10
6.3 Mandatory Meetings.	10
6.4 Proprietary Materials.....	10
VII. OPENING OF OUTLET AND FRANCHISED BUSINESS	11
7.1 The Outlet.....	11
7.2 Building Out the Outlet.....	11
7.3 Inventory and Equipment.....	12
7.4 Marketing and Advertising Boundaries.	13
VIII. OPERATION OF FRANCHISED BUSINESS	13
8.1 Operational Requirements.....	13
8.2 Confidential Operations Manual.	14
8.3 Menu and Standards of Operation.	15
8.4 Point of Sale System and Computer System.....	15
8.5 Maintenance, Upgrades and Refurbishments to the Outlet.	16
8.6 Relocation of the Outlet.	17
8.7 Record Keeping and Reporting Requirements.	17
8.8 Signs and Display Materials.	18
8.9 Telephone Numbers.	18
8.10 Insurance.....	18
8.11 Review and Inspection.....	19

8.12 Compliance with Laws	19
8.13 Web Site and Internet Marketing	19
IX. PROPRIETARY MARKS	20
9.1 License of the Marks	20
9.2 Franchisee's Business Name	21
9.3 Trade Secrets and Proprietary Information	21
9.4 Modification of Marks and Trade Dress	23
9.5 Mark Infringement Claims and Defense of Marks	23
X. MARKETING AND PROMOTION	22
10.1 Use of Marketing and Promotion Fees	22
10.2 Advertising Content and Costs	23
XI. NON-COMPETITION COVENANTS	24
11.1 Exclusive In-Term Dealing	24
11.2 Post Termination Non-Competition Covenants	24
11.3 General Provisions Regarding Non-Competition Covenants	25
XII. ASSIGNMENT	25
12.1 Assignment by Franchisor	25
12.2 Assignment by Franchisee	25
12.3 Right of First Refusal	28
12.4 Transfers to Certain Family Members	28
12.5 Transfers to Affiliated Entities	30
12.6 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner	30
12.7 Consent to Transfers	28
XIII. DEFAULT AND TERMINATION	28
13.1 General	28
13.2 Immediate Termination	29
13.3 Termination After Notice	30
13.4 Description of Default	31
13.5 Statutory Limitations	31
13.6 Extended Cure Period	31
13.7 Franchisor's Right to Cure Franchisee's Defaults and Assume Lease	31
13.8 Waiver and Delay	31
13.9 Recovery of Lost Royalty	31
13.10 Collection Costs	32
13.11 Continuance of Business Relations	32
XIV. DISPUTE RESOLUTION	32
14.1 Initial Steps to Resolve a Dispute; Mediation	32
14.2 Arbitration	32
14.3 Injunctive Relief	33
14.4 Legal Fees and Expenses	33
14.5 Survival	34
XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION	34
15.1 Franchisee's Obligations	34
15.2 Franchisor's Rights as Franchisor	35
XVI. GENERAL TERMS AND PROVISIONS	35
16.1 Notices	35
16.2 Indemnity	36
16.3 Franchisee's Relationship to Franchisor as Franchisee	37
16.4 No Third-Party Beneficiaries	37
16.5 Survival of Covenants	37
16.6 Successors and Assigns	37
16.7 Joint and Several Liabilities	37
16.8 Titles for Convenience Only	37
16.9 Gender	37

16.10 Severability; Partial Invalidity.....	38
16.11 Counterparts.....	38
16.12 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws.....	38
16.13 Governing Law.....	38
16.14 Entire Agreement.....	39
XVII. EFFECTIVENESS OF AGREEMENT	39
XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS	39
18.1 Acknowledgments and Representations.....	39
18.2 Additional Information Respecting Franchisee and Franchisee's Principal Equity Owners.....	40
18.3 Statement of Policy.....	40
EXHIBIT 1 - TERRITORY AND LOCATION OF OUTLET.....	43
EXHIBIT 2 - NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS	44
EXHIBIT 3 - GUARANTEE OF FRANCHISE AGREEMENT	45

FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made and entered into as of _____, 2023 (the "Effective Date"), by and between SUNPARK USA, Inc., a California corporation, doing business as "TAKAGI COFFEE" ("Franchisor"), and _____ ("Franchisee"), with reference to the following facts:

RECITALS

An entity affiliated with Franchisor (the "Owner of the Marks") owns the TAKAGI COFFEE trademarks, service marks and other intellectual property and all rights in respect thereof. The Owner of the Marks has authorized Franchisor to license them to TAKAGI COFFEE franchisees.

Franchisee desire to be franchised and licensed by Franchisor to use Franchisor's "System" (as defined in Article I below), "Marks" (as defined in Article I below) and goodwill to conduct the "Franchised Business" (as defined in Article I below) from a specific "Outlet" (as defined in Article I below and identified in Exhibit 1 attached) operated by Franchisee.

Franchisor is willing to grant Franchisee a "Franchise" (as defined in section 3.1 hereof), in accordance with the provisions of this Agreement and the Confidential Operations Manual.

I. DEFINITIONS

Abandoned. The term "Abandoned" means cessation of operation of the Franchised Business for a period of three consecutive business days, without Franchisor's prior written consent. A repeated pattern of inactivity at the Outlet for periods of less than three consecutive business days may result in the Outlet (and Franchised Business) being deemed Abandoned if in Franchisor's judgment such inactivity adversely impacts the Franchised Business. However, Franchisee's Outlet will not be deemed Abandoned if the inactivity is due to natural disasters or other matters reasonably beyond Franchisee's control, provided that Franchisee gives Franchisor notice of any such closure within three business days after the initial occurrence of the event resulting in such inactivity, and Franchisor acknowledges in writing that such inactivity is due to one of the foregoing causes, and provided further that Franchisee re-establishes the Franchised Business and be fully operational within 180 days after the initial occurrence of the event resulting in such inactivity or such longer period as Franchisor may permit.

Anniversary Year. The term "Anniversary Year" means the 12-month period between the "Opening Date" (as defined in this Article I) and the first anniversary of the Opening Date and between each succeeding anniversary.

Confidential Information. The term "Confidential Information" means information, know-how, and materials that are of value to Franchisor (or other third party, as applicable) and treated as confidential by Franchisor and is disclosed or made known or available to Franchisee or its employees or agents. Without limiting the generality of the foregoing, the term "Confidential Information" includes, without limitation: (i) the Confidential Operations Manual and other proprietary written instructions or manuals; (ii) recipes, cooking procedures, and related technology, operation and know-how; (iii) information about "TAKAGI COFFEE Products" (as defined in this Article I), including materials and ingredients, production flow and methods, production conditions and related facilities; (iv) training instructions; (v) all technical and non-technical information, including without limitation, information relating to Franchisor and its parent entity or affiliated entities concerning finances, financing and capital raising plans, accounting or marketing, business opportunities, affiliate lists, business plans, forecasts, predictions, projections, products, research, development, and know-how; (vi) Intellectual Property, the Marks, TAKAGI COFFEE Products, insignias, designs, and materials subject to copyright, patent, or trademark registration; (vii) any developments, inventions, improvements, additions, modifications, enhancements, derivatives, ideas, reports, analyses, opinions, studies, data or other materials or work product, whether prepared by Franchisor or otherwise, that contain or are based upon the "Proprietary Information" (as defined in this Article I); (viii) customer lists and other information regarding customers and potential customers of the Franchised Business, including needs or desires with respect to the products or services offered, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to customers and potential customers of the Franchised Business and other non-public information relating to customers and potential customers; (ix) information regarding any of Franchisor's business partners or affiliates and their services, including names, representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received by the discloser, and other non-public information relating to business partners; (x) information regarding personnel, including compensation and personnel files; (xi) any other non-public

information that a competitor of Franchisor could use to the competitive disadvantage of Franchisor; and (xii) any other information disclosed by Franchisor that is either marked as confidential or reasonably considered to be confidential by Franchisor. Notwithstanding the above definition, however, Confidential Information will not include information already known to the public, information that has become publicly known but not due to the failure or negligence of Franchisee, information that Franchisor agrees is not confidential, and information that is required to be disclosed by an appropriate government agency.

Confidential Operations Manual. The term “Confidential Operations Manual” means the manual or manuals (regardless of title) containing Franchisor’s trade secrets and the policies and procedures to be adhered to by Franchisee in performing under this Agreement, including all amendments and supplements thereto provided to Franchisee from time to time.

Control. The term “Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

Consumer Price Index or CPI. The term “Consumer Price Index” or “CPI” means the annual average of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the United States Department of Labor (or the highest similar future index if these figures become unavailable).

Force Majeure. The term “*Force Majeure*” means, without limitation, any event caused by or resulting from conditions that are beyond the reasonable control of a party whose performance is affected and occurring without the party’s fault or negligence. Events of Force Majeure will include, without limitation, an act of God, labor strike or other industrial disturbance, materials shortage, failure of third-party suppliers not under a party’s control, transportation delay, war, insurrection, riot, epidemic, fire, hurricane, flood, earthquake or other natural disasters, and act of any government.

Franchised Business. The term “Franchised Business” means the sale to retail customers at or delivered from the Outlet of items from a proprietary menu featuring TAKAGI COFFEE Products, as well as a selection of authorized salads, desserts and beverages, pursuant to the business methods and procedures set forth by Franchisor for the operation of such a retail business, using the recipes, packaging techniques, Marks, operational techniques, service concepts and Proprietary Information owned or authorized to be used by and identified with Franchisor and its affiliated companies.

General Manager. The term “General Manager” means the individual (may be a Principal Equity Owner) designated by Franchisee as the person responsible for the day-to-day operation of the Outlet, and who has successfully completed Initial Training.

Gross Revenues. The term “Gross Revenues” means all revenues, however generated or received, derived by Franchisee from operating the Franchised Business at or through the Outlet, excluding only applicable sales or use taxes and legitimate customer refunds.

TAKAGI COFFEE Products. The term “TAKAGI COFFEE Products” means “Original Coffee”, “Proprietary Menus” and “Original Goods”. “Original Coffee” means coffee beans roasted based on Franchisor’s proprietary recipe. “Proprietary Menus” mean pork cutlet sandwiches, fluffy pan cakes and other original foods developed by and proprietary to Franchisor. “Original Goods” means goods bearing Franchisor’s “Marks” (as defined in this Article I), including T-shirts, mugs and other promotional items.

Initial Training. The term “Initial Training” means training in the System provided by Franchisor, as described in and required by section 6.1 hereof.

Intellectual Property. The term “Intellectual Property” means creations of the mind, including inventions, literary and artistic works, designs, symbols, names and images owned by Franchisor and used in the Franchised Business or at the Outlet.

Intellectual Property Rights. The term “Intellectual Property Rights” means all past, present, and future rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (i) rights associated with works of authorship, including exclusive exploitation rights, copyrights and moral rights; (ii) trademark and trade name rights and similar rights; (iii) trade secret rights; (iv) patent and industrial property rights; (v) other proprietary rights in intellectual property of every kind and nature; and (vi) rights in or relating to registrations, renewals,

extensions, combinations, divisions, and reissues of, and applications for, any of the rights referred to in clauses (i) through (v) of this paragraph.

Marks. The term “Marks” means the proprietary marks associated with the System and associated designs in respect of which registrations have been obtained from or applied for with the United States Patent and Trademark Office, as well as all common law trademarks and service marks, trade names, logos, insignias, designs and other commercial symbols which Franchisor now or hereafter is authorized to use and uses or authorizes others to use to identify the Franchised Business. Franchisor will provide Franchisee with a schedule of Marks Franchisee is required or authorized to use under this Agreement and update this schedule as necessary.

Opening Date. The term “Opening Date” means the day Franchisee opens the Outlet, furnished, inventoried and equipped in accordance with Franchisor’s requirements, and Franchisee begins operating the Franchised Business at the Outlet.

Outlet. The term “Outlet” means either (i) a standard size retail quick serve restaurant or (ii) a smaller retail express outlet (such as in a food court), which Franchisor consents to and which is operated by Franchisee and exclusively dedicated to the operation of the Franchised Business under the Marks and in accordance with the System.

Principal Equity Owner. The term “Principal Equity Owner” means each person who owns 20% or more of Franchisee.

Proprietary Information. The term “Proprietary Information” means, refers to, and includes Trade Secrets and Confidential Information of Franchisor (or of any other third party provided such information to or on behalf of Franchisor). No formal identification of Proprietary Information will be required. Without limiting the generality of the foregoing, Proprietary Information may take the form of documentation, drawings, specifications, software, technical or engineering data and other forms, and may be communicated orally, in writing, by electronic means or media, by visual observation and by other means.

Proprietary Products. The term “Proprietary Products” means (i) proprietary rubs, sauces, seasonings and other proprietary ingredients needed to make TAKAGI COFFEE Products and (ii) proprietary administrative supplies, including paper boxes and cups, take-out bags, wrappers imprinted with the Brand, and uniforms imprinted with the Brand.

Required Inventory. The term “Required Inventory” means Proprietary Products, other specified ingredients needed to make TAKAGI COFFEE Products, and other merchandise and supplies needed for the operation of the Outlet.

Suggestions. The term “Suggestions” means any new products or services, specifications, suggestions or other feedback made by Franchisee or Principal Equity Owners relating to the Outlet or to modify the System.

System. The term “System” means comprehensive marketing and operational systems prescribed by Franchisor to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Confidential Operations Manual. The System includes (i) the Marks, (ii) know-how relating to TAKAGI COFFEE Products, (iii) advertising, marketing and sales programs and techniques, (iv) training programs, and (vi) related materials, artwork, graphics, layouts, slogans, names, titles, text and other Intellectual Property Rights Franchisor makes available to Franchisee. In Franchisor’s sole discretion, Franchisor may improve or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; or better serving the public.

Territory. The term “Territory” means the designated and agreed geographical area surrounding the Outlet as set forth in Exhibit 1 attached hereto.

Trade Dress. The term “Trade Dress” means the unique and distinctive layout, design and color schemes relating to the Outlet, and the textures, sizes, designs, shapes, and placements of words, graphics, and decorations on products and packaging related to TAKAGI COFFEE Products.

Trade Secret. The term “Trade Secret” means information constituting a trade secret within the meaning of the Uniform Trade Secrets Act, as amended from time to time.

Transfer. The term “Transfer” means a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise.

II. THE FRANCHISED BUSINESS

2.1 Franchisor’s Business.

Franchisor is engaged in the administration, development, operation and licensing of businesses that operate Outlets offering the Franchised Business, using the Marks, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with Franchisor or Franchisor’s affiliated companies. Franchisor’s activities in general, and the System (including proprietary products and services; logos; equipment and operations; designs and layouts for the Outlets; marketing and advertising, specialty retail items and promotional activities) are undertaken to develop, maintain and enhance the Marks and Franchisor’s business reputation.

2.2 The Franchise System.

As a result of Franchisor’s expenditure of time, skill, effort and money, Franchisor has developed and supervises the System and all TAKAGI COFFEE franchisees to be operated under the Marks operated in accordance with the provisions of TAKAGI COFFEE Franchise Agreements and the Confidential Operations Manual.

III. GRANT OF FRANCHISE

3.1 Grant of Franchise.

(a) By their respective signatures below, Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a license (“Franchise”) to participate in and use the System to conduct the Franchised Business at the Outlet and within Franchisee’s Territory as described in Exhibit 1 attached hereto, in strict accordance with this Agreement and the Confidential Operations Manual, from the Effective Date until the end of the term hereof, and any additional term unless sooner terminated. So long as Franchisee complies with this Agreement, Franchisor will not authorize another TAKAGI COFFEE franchisee to operate, or operate itself, a TAKAGI COFFEE retail outlet in Franchisee’s Territory.

(b) Each Principal Equity Owner (and their respective spouses, if applicable), must execute the Guarantee of Franchise Agreement attached as Exhibit 3 of this Agreement.

(c) Franchisee acknowledges that Franchisor may have granted and may in the future operate or grant other licenses and franchises for other retail and wholesale food service businesses outside the Territory. FRANCHISEE MAY NOT USE FRANCHISOR’S MARKS, OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION OR CONFIDENTIAL INFORMATION IN CONNECTION WITH ANY BUSINESSES OR SERVICES OTHER THAN THE FRANCHISED BUSINESS CONDUCTED BY FRANCHISEE AT THE OUTLET WITHOUT FRANCHISOR’S EXPRESS PRIOR WRITTEN PERMISSION, WHICH PERMISSION, IF GRANTED, WILL BRING SUCH BUSINESSES OR SERVICES WITHIN THE SCOPE OF THE FRANCHISED BUSINESS AND SUBJECT REVENUES THEREFROM TO PAYMENT OF ROYALTY AND MARKETING AND PROMOTION FEES.

3.2 Reserved Rights.

(a) Nothing contained herein accords Franchisee any right, title or interest in or to the Marks, System, marketing and operational techniques, service concepts, proprietary information or goodwill of Franchisor or the Owner of the Marks, except such rights as may be granted hereunder. **THIS AGREEMENT GRANTS FRANCHISEE ONLY THE RIGHT TO OPERATE THE FRANCHISED BUSINESS AT FRANCHISEE’S OUTLET AND NOWHERE ELSE UNLESS FRANCHISOR SPECIFICALLY ALLOW FRANCHISEE TO OFFER TAKAGI COFFEE PRODUCTS ELSEWHERE. ALL OTHER RIGHTS ARE RETAINED BY AND RESERVED TO FRANCHISOR.**

(b) Franchisor reserves the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to Franchisor, without necessarily granting Franchisee any rights in those systems. Franchisor reserves all rights to market and sell TAKAGI COFFEE Products at venues other than Outlets and through other channels of distribution anywhere, including within Franchisee’s Territory.

3.3 Promotion and Development of the Outlet.

Franchisee must (i) diligently and effectively promote, market and engage in the Franchised Business at the Outlet; (ii) develop, to the best of Franchisee’s ability, the potential for future Franchised Business within Franchisee’s

Territory; and (iii) devote and focus a substantial portion of Franchisee's attentions and efforts to such promotion and development.

3.4 Extent of Grant.

(a) Franchisee understands and agrees it is licensed under this Agreement only for the operation of the Franchised Business at and from the Outlet and only within Franchisee's Territory (unless Franchisor specifically agrees otherwise on a case by case basis). Franchisee must offer and sell at the Outlet and in Franchisee's Territory only TAKAGI COFFEE Products and other goods and services Franchisor designates as required or approved for all TAKAGI COFFEE franchisees. Franchisor has the right to change and add other authorized goods and services which Franchisee will then be required to offer. There are no limits on Franchisor's right to make changes to the offerings.

(b) Franchisee may not sublicense, sublease, subcontract or enter any management agreement, concession agreement, partnership agreement or joint venture agreement providing for the right to operate the Franchised Business or to use the System granted pursuant to this Agreement.

3.5 Electronic Execution and Copies.

(a) Executed counterparts of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (any such medium is referred to in this section 3.5(a) and the following section 3.5(b) as "electronic"), and such delivery will be effective and binding upon such party, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement.

(b) Franchisee acknowledges and agrees Franchisor may create an electronic record of any or all agreements, correspondence or other communication between Franchisor or involving third parties, and Franchisor may thereafter dispose of or destroy the original of any such document or record. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form and will be maintained in and readable by hardware and software generally available. Franchisee agrees, notwithstanding any statute, regulation or other rule of law to the contrary, any such electronic version of this or any other agreement or correspondence between the parties will have the same legal effect, validity and enforceability as an original of any such document, even if the original of such document has been disposed of or intentionally destroyed.

3.6 Obligations of Entity Franchisee.

(a) If Franchisee is an entity, Franchisee must provide Franchisor at the Effective Date with a copy of the entity's organizational document and any by-laws, shareholders' agreement, operating agreement or other agreement among the equity owners.

(b) If Franchisee is an entity, Franchisee must place the following legend on all certificates evidencing an equity interest:

"THE TRANSFER OF THE EQUITY INTEREST IN THE ENTITY REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT DATED _____, 20__ BETWEEN THIS ENTITY AND ICHIBNAYA INTERNATIONAL USA, INC. REFERENCE IS MADE TO SUCH FRANCHISE AGREEMENT AND THE RESTRICTIVE PROVISIONS CONTAINED THEREIN AND AS MAY BE OTHERWISE SET FORTH IN THE ORGANIZATIONAL DOCUMENTS AND OPERATING AGREEMENTS OF THIS ENTITY."

3.7 Force Majeure.

(a) Neither Franchisor nor Franchisee will be liable when *Force Majeure* makes it impossible for either party to fulfill their respective obligations under this Agreement.

(b) If Franchisee experiences a *Force Majeure*, Franchisee must notify Franchisor in writing within 10 business days following commencement of the alleged *Force Majeure* of the specific nature and extent of the *Force Majeure*, and how it has impacted Franchisee's performance hereunder. Franchisee must continue to provide Franchisor with updates and all information as Franchisor may request, including Franchisee's progress and diligence in responding to and overcoming the *Force Majeure*. Should Franchisee be unable to meet its obligations

to promote and develop the Franchised Business at the Outlet or any other obligation under this Agreement solely as the result of a *Force Majeure*, its performance under this Agreement will be suspended until the applicable *Force Majeure* no longer exists. Should Franchisor be unable to meet its obligations under this Agreement solely as the result of a *Force Majeure*, its performance under this Agreement will be suspended until the applicable *Force Majeure* no longer exists.

IV. INITIAL AND ON-GOING PAYMENTS BY FRANCHISEE

4.1 Initial Franchise Fee.

(a) The "Initial Franchise Fee" for a franchised Outlet is as follows (Franchisee must indicate which fee applies by initialing the appropriate subsection below):

(i) If this Agreement is for Franchisee's first Outlet, the Initial Franchise Fee is \$30,000. (Initial here [], if applicable.)

(ii) If this Agreement is for Franchisee's additional Outlet, the Initial Franchise Fee is \$20,000 each. (Initial here [], if applicable.)

(b) The Initial Franchise Fee (and all other payments to Franchisor for goods or services received from Franchisor before Franchisee's Outlet opens for business) is due and payable in full, by check, money order or wire transfer to Franchisor's bank account, when Franchisee signs this Agreement. If Franchisee fails to do so, this Agreement will be null and void. **The Initial Franchise Fee and any "Development Fee" paid under an ADA are fully earned by Franchisor when paid.**

(c) If before Franchisee's successful completion of initial training, Franchisor decides in its sole discretion Franchisee should not operate a TAKAGI COFFEE business, or if Franchisee does not obtain Franchisor's consent to the location of Franchisee's Outlet within 180 days after the Effective Date (see section 7.2 below), Franchisor may cancel this Agreement. If Franchisor cancels this Agreement for either of those reasons, upon execution of a mutual release, Franchisor will refund the Initial Franchise Fee Franchisee have paid, less any expenses Franchisor incurred relating to this Agreement. **Otherwise, the Initial Franchise Fee and any Development Fee paid under an ADA are not refundable.**

4.2 Royalty.

(a) Beginning on the Opening Date, Franchisee must pay Franchisor a monthly "Royalty" of 5% of Franchisee's Gross Revenues.

(b) Royalties are due and payable by Wednesday of each week during the term of this Agreement. Franchisee must report on Gross Revenue monthly on the form specified in the Manual. **Royalties are fully earned by Franchisor when paid.**

4.3 Marketing, Advertising and Promotion.

(a) In its sole discretion, upon 30 days' prior written notice, Franchisor may require Franchisee to pay Franchisor a monthly "Marketing and Promotion Fee" of 1% of Franchisee's Gross Revenues.

(b) Marketing and Promotion Fees will be due and payable monthly on the fifth business day of each month. Marketing and Promotion Fees will be calculated on the Gross Revenues received during the previous month.

(c) Although Franchisor does not require any grand opening advertising nor minimum ongoing local advertising expenditure by Franchisee, Franchisor encourages Franchisee to spend additional amounts on the local marketing, advertising and promotion of Franchisee's Outlet, using marketing and promotional materials pre-approved in the Confidential Operations Manual or otherwise authorized in writing by Franchisor.

(d) On a regional or system-wide basis, Franchisor may impose an additional assessment upon affected franchisees for special designated advertising or promotional activities if two-thirds of all affected TAKAGI COFFEE franchised outlets agree to such additional assessment by affirmative vote.

(e) Franchisee must fully participate with any gift card, customer loyalty, referral and other contests and promotions Franchisor arranges for, requires or authorizes TAKAGI COFFEE franchisees to participate in. Details regarding such contests and promotions will be set forth in the Confidential Operations Manual.

(f) With respect to regional or system-wide advertising, including without limitation advertising paid from Marketing and Promotion Fee contributions, Franchisor determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

(g) Franchisor and Franchisee may agree to designate geographic areas for the purpose of establishing local or regional advertising cooperatives ("Cooperatives") in accordance with the Confidential Operations Manual. If the Outlet is within the territory of an existing Cooperative at the time the Outlet opens for business, Franchisee will immediately become a member of the Cooperative. Each member will be entitled to one vote for each franchise operation owned. If a Cooperative applicable to the Outlet is established during the term of this Agreement, Franchisee will become a member no later than 30 days after the date approved by Franchisor for the Cooperative to commence operation. In no event will Franchisee be required to be a member of more than one Cooperative for the Outlet.

4.4 Electronic Funds Transfer.

Franchisor requires payment of the Royalty and Marketing and Promotion Fees by electronic funds transfer ("EFT"), through the Automated Clearing House ("ACH") electronic network for financial transactions (or such other automatic payment mechanism Franchisor may designate) directly from Franchisee's account into Franchisor's operating account. Franchisee must execute or re-execute and deliver to Franchisor bank-required pre-authorized check forms and other instruments or drafts to enable Franchisor to draw directly from Franchisee's bank account all fees payable under the terms of this Agreement. Franchisee must also, in addition to those terms and conditions set forth in the Confidential Operations Manual, maintain a single bank account for such payments (with overdraft protection from Franchisee's operating account) and must maintain such minimum balance in such account as Franchisor may reasonably specify from time to time. Franchisee must not alter or close such account except upon Franchisor's prior written approval. Any failure by Franchisee to implement such EFT system in strict accordance with Franchisor's instructions will constitute a material default of this Agreement.

4.5 No Setoff on Payments.

All payments to be made by Franchisee to Franchisor will be made without setoff, deduction, defense, counterclaim or claims in recoupment.

4.6 Late Fee; Interest on Delinquent Payments.

(a) Any payment of Royalty and Marketing and Promotion Fees not received by Franchisor when due will be a material breach of this Agreement and will be subject to a late charge of 5% of the amount past due. In connection therewith, Franchisor and Franchisee agree that the late charge is a reasonable and good faith estimate by Franchisor and Franchisee of such costs because (i) as a result of any such late payment, Franchisor will incur certain costs and expenses including, without limitation, administrative costs, collection costs, loss of interest, and other direct and indirect costs in an uncertain amount; and (ii) it would be impractical or extremely difficult to fix the exact amount of such costs in such event.

(b) In addition to late payment penalties, all delinquent amounts will bear interest from the date payment was due at an annual percentage rate ("APR") of 12% (or the highest APR on delinquent payments permitted in the state where the Outlet is located, if that APR is lower), immediately payable upon the demand of Franchisor, and Franchisee must also reimburse Franchisor immediately upon demand for all reasonable costs of collection relating to delinquent amounts.

4.7 No Accord or Satisfaction.

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt will be applied against the earliest amount due Franchisor. Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be construed as an accord or satisfaction.

V. INITIAL TERM AND RENEWAL TERMS

5.1 Initial Term.

The initial term of this Agreement (applicable solely to the Outlet franchised hereunder) commences on the Effective Date and expires on the 10th anniversary of the Opening Date, unless sooner terminated pursuant to the provisions of this Agreement.

5.2 Renewal Terms.

(a) Upon written notice delivered to Franchisor not less than 180 days before the end of the existing term hereof, Franchisee may renew the rights granted under this Agreement for an additional 10-year term commencing on the expiration date of the previous term, subject to the provisions of sections 5.2(b) through 5.2(g) below.

(b) At the time of renewal, Franchisee must (i) then be solvent (which means Franchisee is able to pay its debts as and when promised by Franchisee and Franchisee has assets that are greater than Franchisee's debts), (ii) not have abandoned the Outlet, (iii) not be operating the Franchise in a manner endangering public health or safety or materially harming the TAKAGI COFFEE brand or reputation, and (iv) not have knowingly submitted false or incomplete reports to Franchisor during the expiring term.

(c) Notwithstanding section 5.2(a) above, Franchisor is not obligated to renew Franchisee's rights granted under this Agreement for an additional term if one or more of the following applies or occurs:

(i) Franchisee gives Franchisor written notice of Franchisee's intention not to renew this Agreement at least 180 days before the expiration of the initial term or any successor term;

(ii) during the 180 days prior to expiration of the Franchise, Franchisor permits Franchisee to sell the rights to operate the Franchised Business at the Outlet to a purchaser meeting Franchisor's then current requirements for granting new Franchises or (if Franchisor is not granting a significant number of new Franchises) the then current requirements for granting renewal Franchises;

(iii) termination of this Agreement would be permitted pursuant to sections 13.1 or 13.2 hereof;

(iv) Franchisee and Franchisor agree not to renew the Franchise;

(v) Franchisor withdraws from distributing its products or services through Franchises in the geographic market served by Franchisee, provided that:

(A) upon expiration of the Franchise, Franchisor agrees not to seek to enforce any covenant of the non-renewed franchisee not to compete with Franchisor or other franchisees of Franchisor; and

(B) the failure to renew is not for the purpose of converting the business conducted by Franchisee pursuant to this Agreement to operation by employees or agents of Franchisor for Franchisor's own account;

(vi) at the time of renewal, Franchisee or any Principal Equity Owner has been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in Franchisor's judgment, to have a materially adverse effect on the Marks, the System, or the goodwill associated with the Marks or System; or

(vii) Franchisor and Franchisee fail to agree to changes or additions to the terms and conditions of this Agreement, if such changes or additions would result in renewal of this Agreement on substantially the same terms and conditions on which Franchisor is then customarily granting renewal franchises, or if Franchisor is not then granting a significant number of renewal Franchises, the terms and conditions on which Franchisor is then customarily granting original franchise agreements. Franchisor may give Franchisee written notice of a date (which must be at least 30 days from the date of such notice) on or before which a proposed written agreement of the terms and conditions of the renewal Franchise must be accepted in writing by Franchisee. Such notice, if given not less than 180 days before the end of the Franchise term, may state that in the event of failure of such acceptance by Franchisee, the notice will be deemed a notice of intention not to renew at the end of the Franchise term.

(d) As a condition to renewing Franchisee's rights, duties and obligations hereunder, not later than 90 days before the end of the term that is expiring, Franchisee and Franchisor must sign either (i) Franchisor's then-current standard Franchise Agreement modified by addendum to remove provisions that only apply to a new franchisee, such as initial franchise fee and initial training requirements ("Renewal Franchise Agreement") or (ii) an addendum to this Agreement extending its term for an additional five year term. **IN ADDITION TO NOT GRANTING ANY ADDITIONAL RIGHTS BEYOND THOSE GRANTED IN THIS AGREEMENT, THE RENEWAL FRANCHISE AGREEMENT MAY CONTAIN OTHER TERMS THAT ARE SUBSTANTIALLY DIFFERENT FROM THOSE IN THIS AGREEMENT.** The Renewal Franchise Agreement, when executed, will supersede this Agreement.

(e) At the time of renewal, Franchisee must have satisfied all monetary obligations owed by Franchisee to Franchisor and to Franchisor's affiliates and all other material obligations under this Agreement, and Franchisor may examine Franchisee's books and records to verify compliance with this requirement anytime during normal business hours within 60 days of Franchisee's renewal date.

(f) Before or not later than 90 days after Franchisee's execution of a Renewal Franchise Agreement for an additional term, Franchisee must make such physical modifications to the Outlet as are reasonably necessary so that they are substantially consistent with the then current System requirements, and so that they can accommodate new TAKAGI COFFEE Products, if any. Franchisee must also bring the Outlet and equipment, materials and supplies into compliance with the standards then applicable to new TAKAGI COFFEE franchises.

(g) No renewal fee is payable to Franchisor for Franchisee entering into a Renewal Franchise Agreement.

5.3 Month to Month Extension; Longer Notice of Expiration Required by Law.

(a) At Franchisor's option, to be exercised in Franchisor's sole and absolute discretion, if the renewal procedures described in section 5.2 above have not been completed, Franchisor may extend this Agreement on a month-to-month basis by notifying Franchisee Franchisor is doing so. Any month-to-month extension will continue until Franchisor gives Franchisee at least 30 days' notice that the Franchise rights must be formally renewed in accordance with section 5.2 or this Agreement will expire and be terminated.

(b) If applicable law requires Franchisor to give a longer period of notice to Franchisee than herein provided prior to the expiration of the initial term or any successor term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement will remain in effect on a month-to-month basis only until Franchisee has received such required additional notice.

VI. TRAINING AND ASSISTANCE

6.1 Initial Training.

(a) It is critically important for Franchisee and its General Manager to understand the Franchised Business and the System, and for Franchisee's General Manager and other key employees to have been trained how to operate the Franchised Business. Accordingly, Franchisor will provide to Franchisee's General Manager and up to four more attendees an eight-week initial training program providing an orientation to the System and instructions on how to operate the Franchised Business. Unless there are extenuating circumstances which, in Franchisor's reasonable determination, justify a delay (including *Force Majeure*), Franchisee's required trainees must attend the next Initial Training offered by Franchisor. Franchisee may not open and operate the Outlet until Franchisee's General Manager has satisfactorily completed Initial Training. Franchisee acknowledges and agrees only Franchisor will determine whether Franchisee's General Manager satisfactorily completes Initial Training.

(b) The failure of Franchisee's General Manager to complete Initial Training to Franchisor's satisfaction will be grounds for termination of this Agreement; provided, however, before this Agreement is so terminated, Franchisee's General Manager who fails to successfully complete Initial Training will be offered the opportunity to retake Initial Training or Franchisee may send one replacement General Manager, approved by Franchisor, to the next available Initial Training program. Franchisee must pay Franchisor a fee of up to \$500 per day per person for each Initial Training attended by a retaking or replacement General Manager (except there will be no fee payable for a General Manager completing retaken Initial Training within three days).

(c) Franchisor will determine the contents and manner of conducting the Initial Training program in Franchisor's discretion, however, the training course will be structured to provide practical training in the

implementation and operation of the Franchised Business and may include such topics as System procedures, standards, marketing and customer service techniques, reports and equipment maintenance.

(d) There is no separate fee payable to Franchisor for the Initial Training program provided to Franchisee's initial General Manager and up to four more attendees (including Franchisee's Principal Equity Owners). Franchisee may be required to pay Franchisor a fee of \$2,000 for each additional attendee of Initial Training in excess of five.

(e) All costs and expenses (including travel, lodging and meals) of Franchisee's attendees of Initial Training will be Franchisee's sole responsibility. All persons attending Initial Training on Franchisee's behalf must have a demonstrable relationship to the management and operation of the Outlet.

6.2 Training and Assistance after Opening.

(a) After Franchisee opens and begins operating its Outlet, Franchisor will list Franchisee's Outlet on, and integrate other information about the Outlet into, Franchisor's website. Any future update or modifications to Franchisee's presence on Franchisor's website may be at Franchisee's cost and expense.

(b) After Franchisee opens and begins operating the Franchised Business at the Outlet, upon reasonable notice, Franchisor may require participation of Franchisee's designated personnel at training courses, seminars, conferences or other programs other than Initial Training or mandatory meetings (described in section 6.3 below) deemed by Franchisor to be relevant or appropriate to the operation of the Franchised Business. Franchisee specifically agrees only persons trained by Franchisor or under Franchisor's supervision will have overall responsibility for the operation of the Outlet and Franchised Business, and Franchisee will send Franchisee's General Manager to Franchisor for additional training if Franchisor requests this.

(c) Franchisor may but is not required to make available to Franchisee optional staff training courses, seminars, conferences or other programs, at a suitable location selected by Franchisor. Franchisor may charge Franchisee (i) for training or programs required by Franchisor, a separate fee of \$200 per day (or other amount stipulated in the Confidential Operations Manual but not greater than \$400) for each of Franchisee's attendees at required training or (ii) for optional training or programs, a separate fee of \$100 per day (or other amount stipulated in the Confidential Operations Manual but not greater than \$300) for each of Franchisee's attendees at optional training.

(d) In addition to updates to the Confidential Operations Manual, Franchisor may provide Franchisee with additional materials relating to the Franchised Business. Franchisor may also from time to time make available to Franchisee for purchase other materials relevant to the System and the Franchised Business.

(e) All costs and expenses (including travel, lodging and meals) of Franchisee's attendees at any post-opening training, conferences or meetings will be Franchisee's sole responsibility. All persons attending post-opening training, conferences or meetings on Franchisee's behalf must have a demonstrable relationship to the management and operation of the Outlet.

(f) In the event of a Transfer of the rights, duties and obligations of Franchisee under this Agreement (which must be done in full compliance with section 12.2 of this Agreement), the transferee must be trained by Franchisor as a condition of Franchisor's consent to such Transfer. The transferred Franchise may not be operated by the transferee until Franchisor accepts the transferee in writing as being qualified to operate the Outlet and the Franchised Business and Franchisor has otherwise consented to the Transfer in accordance with this Agreement.

6.3 Mandatory Meetings.

Not more often than once each year, Franchisor may conduct a meeting or series of regional meetings to discuss System operations and business activities or other matters relating to the Franchised Business. Attendance of a Principal Equity Owner at these meetings will be mandatory (and is highly recommended for Franchisee's General Manager and all of Franchisee's other Principal Equity Owners). Franchisor may limit the number of Franchisee's attendees at these meetings. Franchisee must pay the cost of travel, lodging and meal expenses for Franchisee's attendees at these mandatory meetings. The mandatory meetings referenced in this section 6.3 are in addition to any voluntary convention or sales conference coordinated by Franchisor.

6.4 Proprietary Materials.

At Initial Training and other training programs and conferences, Franchisor may provide Franchisee with Proprietary Information or Confidential Information, as well as training materials, training curricula and related materials for

Franchisee's use in training Franchisee's staff, all of which are and will remain Franchisor's sole and exclusive property. Franchisee must not, nor allow its employees or others to, copy, reproduce, disseminate or otherwise reveal to third parties any Proprietary Information, Confidential Information or related materials without Franchisor's express prior written consent.

VII. OPENING OF OUTLET AND FRANCHISED BUSINESS

7.1 The Outlet.

The Franchised Business may only be operated by Franchisee at or from Franchisee's Outlet. If the Outlet has not been identified when Franchisee signs this Agreement, but the general location of the Territory is identified, the exact location of the Outlet will be inserted into a restated Exhibit 1 attached to this Agreement as soon as its location has been determined. In order to promote the orderly and timely servicing of all System retail customers, Franchisee may not deliver TAKAGI COFFEE Products outside Franchisee's Territory without Franchisor's prior written consent. Due to landlord obligations under other leases or other restrictions imposed by government authorities, not all TAKAGI COFFEE Products may be available to be offered to customers at some Outlets (including the Outlet).

7.2 Building Out the Outlet.

(a) Premises acceptable to Franchisor from which the Outlet will be operated must be located by Franchisee within 180 days after the Effective Date. Within 15 days thereafter Franchisor will review and either consent to or disapprove the location (and if Franchisor disapproves, Franchisee must promptly propose an alternative location). If within 180 days after the Effective Date Franchisee has not located a site for the Outlet acceptable to Franchisor, Franchisor may either (i) grant up to two consecutive additional periods of 90 days to locate an acceptable site for the Outlet or (ii) cancel this Agreement on the basis of Franchisee's failing to find an acceptable site. If Franchisor cancels this Agreement because Franchisee has been unable to locate an acceptable site, Franchisor will refund Franchisee's Initial Franchise Fee, less any expenses Franchisor incurred in processing Franchisee's Franchise and this Agreement up to the date of cancellation. Within 180 days after Franchisor approves the location of the Outlet, Franchisee must build out the Outlet and commence operation of the Franchised Business there at that location. Franchisee must commence operation of the Franchised Business at the Outlet as soon as practicable after Franchisee's receipt of a certificate of occupancy (or equivalent document) from the responsible local government authority. If after Franchisee has located and secured premises for the Outlet (which Franchisor consents to), Franchisee has not commenced operation of the Franchised Business within 180 days after Franchisor approves the Outlet premises or within 360 days after you sign this Agreement, Franchisor may terminate this Agreement effective on written notice and if Franchisor does so, Franchisee will not be entitled to receive any refund of Franchisee's Initial Franchise Fee. Franchisor may give Franchisee one-month extensions to open the Outlet beyond the mandatory dates specified above in this section 7.2(a) if Franchisor deems in its sole discretion Franchisee has made diligent efforts to open but was unable to do so due to reasons beyond Franchisee's reasonable control.

(b) Franchisor does not assist Franchisee in the site selection process. However, Franchisor reserves the sole right of final review and consent to any location of the Outlet. Franchisor uses available demographic information to evaluate the site and the area in which it is located, and analyze area income figures, traffic patterns, visibility, population density, competition, zoning, parking, accessibility and other related, relevant circumstances.

(c) Franchisor will provide Franchisee with a sample prototype layout for the Outlet. At Franchisee's sole expense, Franchisee must employ an architect/designer designated by Franchisor for the first Outlet Franchisee opens to complete, adapt, modify or substitute the sample plans and specifications for the Outlet. For the second and subsequent Outlets opened by Franchisee, franchisee may employ architects, designers, engineers or others approved by Franchisor to complete, adapt, modify or substitute the sample plans and specifications for the Outlet. The architect must submit a complete set of final plans and specifications to Franchisor before commencing construction of the Outlet. Franchisor will review these plans and specifications promptly and accept them as stated or provide Franchisee with Franchisor's comments on the plans and specifications. Franchisor will have complete and uncontested control over the design of the Outlet and Franchisee may not modify the design or choose third party designers without Franchisor's express written consent. Franchisee may not commence construction of the Outlet until Franchisor consents in writing to the final plans, specifications and contractors to be used in constructing the Outlet. Franchisor will consult with Franchisee, to the extent Franchisor deems necessary, on the construction and equipping of the Outlet, but it is and will remain Franchisee's sole responsibility to diligently construct, equip and otherwise make ready, and then open the Outlet. Franchisee is responsible at its sole expense for obtaining all zoning classifications, permits, clearances, certificates of occupancy and clearances required by governmental authorities and for complying with all covenants, conditions, easements, and restrictions of record.

(d) Franchisee must use licensed and reputable general contractors and vendors to construct and build out the Outlet. Franchisor expressly disclaims any representation or warranty of the quality of any goods or services provided by architects, contractors, or any other persons or entities which Franchisor may refer to Franchisee, including any warranty as to merchantability or fitness for any particular purpose. Franchisor is not responsible for delays in the construction, equipping or decoration of the Outlet or for any loss resulting from the Outlet design or construction since Franchisor has no control over the landlord or developer and numerous construction-related problems which could occur, consequently delaying the opening of the Outlet. Franchisor must approve in writing all changes in the Outlet plans prior to construction of the Outlet or the implementation of such changes.

(e) If requested, Franchisor must be granted access to the Outlet while work is in progress. Upon Franchisor's request, Franchisee must make and deliver to Franchisor photographic or video records of construction in process. Franchisor may require the reasonable alterations to or modifications in the construction of the Outlet that Franchisor deems necessary. Franchisee's failure to promptly commence and diligently complete the design, construction, inventorying, equipping and opening of the Outlet will be a material breach of this Agreement. If Franchisee does not complete the build out of the Outlet in a reasonable time, Franchisor can complete the build out, all expenses of which will then be paid or reimbursed to Franchisor by Franchisee. Before the Outlet opens to retail customers and before final inspections by any governmental agency, representatives of Franchisor may complete a final "walk through" inspection of the Outlet and issue a written consent to open. Any deficiencies noted by Franchisor from this inspection must be corrected by Franchisee within 30 days or this Agreement may be terminated without any liability to Franchisor.

(f) Unless otherwise agreed to in writing by Franchisee and Franchisor, Franchisee has the sole responsibility for locating, securing and obtaining suitable premises for the Outlet. Franchisee must submit a copy of the final lease for the Outlet to Franchisor, and Franchisee and Franchisee's landlord will be required by Franchisor to execute a rider to Franchisee's lease (or other written agreement or written understanding incorporated in, or attached as a rider to, the lease) that (i) grants Franchisor an option to assume Franchisee's position as lessee under the lease for the Outlet premises if Franchisee is in material breach of either the lease for the Outlet premises (including an obligation of the landlord to notify Franchisor if Franchisee is in such breach) or this Agreement, (ii) grants Franchisor the right to assign the lease to a *bona fide* franchisee of the System after assuming the lease and (iii) requires the landlord to fully cooperate with Franchisor in completing de-identification of the Outlet if this Agreement is terminated or expires without being renewed and Franchisor does not exercise its option to assume the lease for the Outlet premises.

(g) After the Outlet opens, Franchisor has the right to periodically inspect the Outlet and any other site where Franchisee conducts the Franchised Business.

7.3 Inventory and Equipment.

(a) Within the timeframes that Franchisor specifies before the Opening Date, Franchisee must order from (and if necessary pre-pay to) Franchisor's affiliates, or other designated or approved suppliers, (i) the initial Required Inventory and other supplies and accessories necessary for Franchisee to provide TAKAGI COFFEE Products to Franchisee's customers, (ii) number of pieces of required fixtures and equipment, and (iii) additional proprietary supplies, items and accessories as specified in the Confidential Operations Manual, with delivery scheduled for not later than two weeks before the Opening Date. Thereafter, Franchisee must buy replacement or additional Required Inventory, fixtures, equipment, accessories and other authorized items only from Franchisor's affiliates, or other designated or approved suppliers. Throughout the term of this Agreement, Franchisee must maintain the minimum amount of Required Inventory and other inventory of TAKAGI COFFEE Products and supplies as specified in the Confidential Operations Manual.

(b) Franchisee must also purchase non-proprietary merchandise and supplies (in at least the amount required to complete Franchisor's recommended initial inventory of these items), fixtures, furnishings, equipment, small ware, POS System, computer hardware, software and peripheral equipment as specified in the Confidential Operations Manual, in adequate quantities and sufficiently in advance to allow Franchisee to fully operate the Outlet on the Opening Date, and continuously thereafter in sufficient quantities to permit Franchisee's uninterrupted conduct of the Franchised Business at the Outlet.

(c) Franchisee must also purchase apparel containing the Marks, other materials containing the Marks, and any other signs containing the Marks from Franchisor's affiliates, or other designated or approved suppliers, with delivery scheduled for not later than two weeks before the Opening Date.

(d) Franchisee must also purchase supplies, paper goods, services, packaging, forms and other products and supplies to constitute Franchisee's complete initial inventory of such items as specified in the Confidential Operations Manual from responsible suppliers, with delivery scheduled for not later than two weeks before the Opening Date.

(e) Franchisor and its affiliated entities reserve the right to derive and receive revenues, rebates or other material consideration as a result of required purchases by System franchisees, and to retain for itself or use such revenues, rebates or other material consideration as Franchisor deems appropriate.

7.4 Marketing and Advertising Boundaries.

The marketing and advertising boundaries within which Franchisee is to operate under this Agreement are determined by Franchisor and may be changed by Franchisor or overlap with the territories of other TAKAGI COFFEE franchised outlets as market conditions or type of media warrant, all in Franchisor's sole discretion (and such marketing and advertising boundaries may exceed the Territory provided herein). Franchisee may not directly promote, advertise or otherwise market the Outlet outside the boundaries of the Territory or other marketing or advertising boundary that Franchisor designates, unless Franchisor gives express written permission for Franchisee to do so.

VIII. OPERATION OF FRANCHISED BUSINESS

8.1 Operational Requirements.

(a) At all times Franchisee must be, or employ, a General Manager who will devote his or her entire time during normal business hours, as defined in the Confidential Operations Manual, to the management, operation and development of the Franchised Business at the Outlet. The General Manager must ensure Franchisee fulfills its obligations to Franchisee's customers in a timely and professional manner. The General Manager may not engage in any other business requiring his or her active participation during normal business hours.

(b) Franchisee understands and agrees that the maintenance of the quality of the TAKAGI COFFEE Products offered by each TAKAGI COFFEE franchisee is of primary importance to Franchisor to properly promote and protect the public image of these goods and services, and to protect the Marks under which TAKAGI COFFEE franchisees are licensed to operate. Franchisee therefore agrees to only provide at its Store TAKAGI COFFEE Products that are properly prepared in accordance with Franchisor's confidential recipes and procedures. Franchisee must only sell to customers at Franchisee's Store TAKAGI COFFEE Products and other food and beverages specified in Franchisor's then authorized menu, and related products and accessories supplied by designated vendors and approved suppliers for resale by Franchisee at Franchisee's Store in accordance with this Agreement and the Confidential Operations Manual (as periodically amended by Franchisor). Franchisee must only operate the Franchised Business at Franchisee's Store, in strict accordance with the procedures set forth in the Confidential Operations Manual or otherwise provided to Franchisee by Franchisor in writing. Franchisee must always maintain an adequate level of Required Inventory and other supplies necessary to properly operate Franchisee's Store. Franchisee must use the standard signs and formats that Franchisor prescribes in operating the Outlet and conducting the Franchised Business.

(c) To protect and maintain the integrity, reputation and goodwill of the System and the Marks, Franchisor requires Franchisee to comply with the methodology Franchisor prescribes in providing TAKAGI COFFEE Products to customers. To enhance uniformity in the delivery of goods and services to retail customers by Franchisor's franchises and the strength of Franchisor's Marks in inter-brand competition, and subject to applicable federal and state antitrust laws, Franchisor may recommend retail prices for specific TAKAGI COFFEE Products and other products, and services Franchisor authorizes for sale at the Outlet. If Franchisor does so, Franchisee may not advertise or promote (whether by telephone, printed materials or any other media, including social media) retail prices inconsistent with these recommended prices.

(d) The Outlet must be open on a full-time basis in accordance with the hours of operation as designated in the Confidential Operations Manual. The obligation to remain open will not apply if Franchisee experiences a Force Majeure.

(e) Franchisee must promptly satisfy any *bona fide* indebtedness that Franchisee incurs in operating the Outlet and the Franchised Business. Contractors, subcontractors, vendors and suppliers providing services to Franchisee must be paid in accordance with the terms of their agreements with Franchisee.

(f) Franchisee must notify Franchisor in writing within 10 business days after Franchisee receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order,

writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Outlet or the Franchised Business, or that may adversely affect Franchisee's operations at the Outlet or Franchisee's ability to meet its obligations under this Agreement.

(g) If anything occurs at the Outlet or in the Territory that causes or may cause harm or injury to retail customers or Franchisee's employees, or that may damage the System, Marks, or image or reputation of the Franchised Business or Franchisor or Franchisor's affiliates, Franchisee must immediately inform Franchisor's designated contact person as instructed in the Confidential Operations Manual by telephone, e-mail, text or other electronic messaging medium authorized by Franchisor for this purpose. Franchisee must cooperate fully with Franchisor in any response to an incident described in this section 8.1(g).

(h) Franchisee must promptly pay all taxes due as a result of operation of the Outlet and the Franchised Business by Franchisee. If there is any *bona fide* dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, Franchisee may not permit a tax sale or seizure by levy or similar writ or warrant, or attachment by a creditor to occur against the premises of the Outlet or any of its improvements.

(i) Without Franchisor's prior written consent, Franchisee may not engage in any "Co-branding" with other businesses nor allow subtenants in the Outlet. Franchisor is not required to approve any Co-branding chain or arrangement except in Franchisor's discretion, and only if Franchisor recognizes that Co-branding chain as an approved co-brand for operation within the System. Unauthorized Co-branding and subtenants include the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) featured or incorporated within the Outlet or the Franchised Business operated by Franchisee in the Territory or adjacent to the Outlet and operated in a manner likely to cause the public to perceive it to be related to the Outlet and Franchised Business licensed to Franchisee hereunder.

(j) Franchisor may open commissaries for the purpose of selling and supplying TAKAGI COFFEE Products and related food products and non-food products and merchandise (such as boxes, paper plates, cups and food wrappers on which the Marks are reproduced).

(k) Franchisee agrees to participate in all System promotions described in Franchisor's website and all Franchisor-authorized group discount programs.

(l) Franchisee may only sell at the Outlet TAKAGI COFFEE Products that are provided by a vendor designated or approved by Franchisor. If Franchisee sells at its Outlet unauthorized products not provided by a vendor designated or approved by Franchisor, Franchisor will levy a fine of \$500 each time it happens and declare Franchisee in material default of this Agreement.

(m) Franchisee must not accept cash payments from customers at the Outlet which are not reported to Franchisor or incorrectly reported. If this occurs, Franchisor can assess a fine of \$500 each time it happens and declare Franchisee in material breach of this Agreement.

(n) Franchisee agrees to diligently consider customer reviews and respond to customer indications of dissatisfaction with services rendered by Franchisee in a diligent and professional manner and agrees to cooperate with representatives of Franchisor or the Owner of the Marks in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities.

(o) At Franchisee's expense, Franchisee must obtain from a performance rights organization (such as the American Society of Composers, Authors, and Publishers ("ASCAP") or Broadcast Music, Inc. ("BMI")) and then maintain any licenses to allow Franchisee to play copyrighted musical recordings at its Outlet.

8.2 Confidential Operations Manual.

(a) Franchisee must operate the Franchised Business in accordance with the Confidential Operations Manual, a copy of which will be loaned to Franchisee. Franchisee may be provided access to a digital copy of the Confidential Operations Manual through Franchisor's website. Franchisee may also be provided with a hard copy of all or portions of the Confidential Operations Manual at Initial Training or afterwards. Franchisor has the right to modify the Confidential Operations Manual at any time by the addition, deletion or other modification of the provisions thereof. All such additions, deletions or modifications are effective on the next business day after delivery to Franchisee or the digital copy maintained on Franchisor's website is changed.

(b) All additions, deletions or modifications to the Confidential Operations Manual are equally applicable to all similarly situated TAKAGI COFFEE franchisees. As periodically modified by Franchisor, the Confidential Operations Manual will be deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, are deemed to mean the Confidential Operations Manual. However, the Confidential Operations Manual, as periodically modified or amended by Franchisor, will not alter Franchisee's fundamental status and rights or fees payable to Franchisor under this Agreement. If there is any discrepancy or dispute about the version of the Confidential Operations Manual Franchisee may have printed and maintains, the master copy of the Confidential Operations Manual that Franchisor maintains at Franchisor's headquarters and available on Franchisor's website will be the controlling version and will supersede all prior versions.

(c) If Franchisee loses printed portions of, or allows unauthorized access to or duplication of, the Confidential Operations Manual or any other confidential manuals or proprietary materials loaned to Franchisee by Franchisor, Franchisee must request a replacement within three business days, and Franchisee will be deemed to be in violation of this Agreement and all other agreements Franchisee has with Franchisor and Franchisor's affiliated entities.

(d) Upon the expiration, termination or cancellation of this Agreement for any reason, Franchisee, the General Manager and any other employee having possession thereof, must immediately return to Franchisor any printed portions of the Confidential Operations Manual then in Franchisee's or their possession. Except as specifically permitted by Franchisor, at no time may Franchisee or Franchisee's employees or agents (i) make, or cause to be made, any copies or reproductions of all or any portion of the Confidential Operations Manual, (ii) give online access to the Confidential Operations Manual to unauthorized persons, or (iii) disclose any part of the Confidential Operations Manual to any other person except Franchisee's authorized employees and agents when required in the operation of the Outlet and the Franchised Business. Franchisee must also permanently erase anything relating to Franchisor or the Franchised Business from any computers and other media storage devices Franchisee retain after expiration, cancellation or termination of this Agreement.

8.3 Menu and Standards of Operation.

(a) A standard menu format is required by Franchisor and must be used by Franchisee. Any changes, additions or deletions in the menu format to be used at the Outlet must be approved in writing by Franchisor prior to its use by Franchisee. Franchisee agrees to indemnify and hold Franchisor and Franchisor's affiliated entities, equity owners, managers, officers, employees and agents harmless from and against any and all loss, damage, cost or expense, including reasonable attorney's fees, resulting from any change Franchisee makes in the standard menu or for any deviation of Franchisee's products from the descriptions contained in Franchisor's approved menu. At Franchisor's direction, the standard menu format may contain advertising references to other TAKAGI COFFEES. Franchisor may change the standard menu format at any time.

(b) To enhance the customer experience at the Outlet and to protect Franchisor's reputation, Franchisor is entitled to prescribe standard uniforms and attire for all of Franchisee's personnel. Franchisee is required to obtain such uniforms and attire only from an entity affiliated with Franchisor or from other designated or approved manufacturers or distributors.

(c) Franchisee agrees that Franchisor, Franchisee and everyone else involved in the System benefits from the maintenance of the highest standards of uniformity, quality, similar appearance and prominent display of the Marks at the Outlet and elsewhere in Franchisee's Territory. Therefore, Franchisee agrees to maintain the uniform standards of quality, appearance and display of the Marks in strict accordance with this Agreement and the Confidential Operations Manual as it may be periodically revised, or as Franchisor may otherwise direct in writing. To assist Franchisor in maintaining consumer brand recognition through advertising and an effective network of franchisees, Franchisee specifically agrees it will not display the Marks except in the manner Franchisor authorizes.

8.4 Point of Sale System and Computer System.

(a) Franchisee must purchase, use and maintain the computerized point of sale cash collection system and integrated business computer (including all related hardware and software) as specified in the Confidential Operations Manual or otherwise by Franchisor in writing for use at the Outlet (the "POS System"). The POS System must always be powered on and connected to a dedicated high-speed communications medium specified by Franchisor, capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, accessing the Internet in the manner designated by Franchisor in the Confidential Operations Manual or

otherwise in writing. Franchisee must obtain and maintain an annual maintenance agreement with the manufacturer or distributor of the POS System. The POS System must be electronically linked to Franchisor. Franchisor may electronically access the POS System and any of Franchisee's Internet domain names or email addresses on a daily or other basis at such times and in such manner as determined by Franchisor, with or without notice, to retrieve such transaction information including sales, sales mix, usage and other operations data as Franchisor deems appropriate. Franchisee must ensure that only adequately trained employees conduct transactions using the POS System. Within a reasonable time upon Franchisor's request, Franchisee must apply for and maintain debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to purchase TAKAGI COFFEE Products via such procedure, as specified by Franchisor. Franchisor may require Franchisee to update, upgrade or replace the POS System, including hardware or software, periodically upon written notice; however, Franchisee will not be required to replace the POS System any more frequently than once every three years (unless the POS System has been impaired by actions of Franchisee or Franchisee's employees). The POS System must also be configured and enabled to send monthly sales reports to Franchisor.

(b) In addition to the POS System, Franchisee may be required to purchase, use and maintain a personal computer system (including all related hardware and software) as specified in the Confidential Operations Manual or otherwise by Franchisor in writing for use in connection with the Outlet (the "Computer System"). Franchisor requires Franchisee to maintain an e-mail account and always connect the Computer System to a dedicated high-speed communications medium Franchisor specifies, capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, in the manner Franchisor designates in the Confidential Operations Manual or otherwise in writing. Franchisee must obtain all software and hardware, including digital still and video cameras, as Franchisor may specify to enable Franchisee to provide ample security against viruses, send and receive e-mail, contact and track customers, perform accounting functions, perform marketing and access and transmit to Franchisor digital photos and streaming video or other multimedia signals and information to and from the Outlet, in the form and manner prescribed by Franchisor. Franchisee must purchase any upgrades, enhancements or replacements to the Computer System or hardware and software as Franchisor may periodically require upon 30 days written notice; provided however Franchisee will not be required to update or replace the Computer System any more frequently than once every three years. Franchisor may access the Computer System on a daily or other basis at such times and in such manner as determined by Franchisor, with or without notice, to retrieve files and data stored therein relating to the Outlet and the Franchised Business.

(c) Franchisor may designate the computer software to be used in the operation of the POS System and Computer System ("Designated Software"). If Franchisor does so, Franchisee must license or sublicense such Designated Software from Franchisor's designee and enter into a software license agreement on the software licensor's then-current form and pay any related license or maintenance fees. Franchisee may also be required to purchase any upgrades, enhancements or replacements to the Designated Software. Franchisee must incorporate any required modifications or additions within 30 days after receiving written notice from Franchisor, unless a longer time is stated in the notice

(d) Franchisee may not install, and must prohibit others from installing, unauthorized software on the POS System and the Computer System. Franchisee must take all commercially reasonable measures to ensure no malicious code, malware or other unauthorized code or software is installed on, or transmitted by, the POS System or the Computer System. Franchisee must always communicate to Franchisor all passwords, access keys and other security devices or systems necessary to permit Franchisor to access the POS System and Computer System and obtain the data Franchisor is permitted to obtain under this Agreement, including accounting, sales, marketing, client and other information to assist in and support the operation of the Franchised Business.

(e) All information on the POS System and Computer System, including customer data and contact information, is Franchisor's property and Franchisee consents to Franchisor using this information in any way Franchisor sees fit, including to market other products and services not constituting TAKAGI COFFEE Products or other products and services specifically authorized by Franchisor.

(f) Franchisor may disclose information relating to Franchisee's operation of the Franchised Business, including, but not limited to, Gross Revenues, customer counts, and other related data to future prospective franchisees.

8.5 Maintenance, Upgrades and Refurbishments to the Outlet.

(a) Franchisor requires Franchisee to maintain and periodically refurbish the Outlet to conform to the then-current building design, Trade Dress, and color schemes then applicable for an Outlet. Such maintenance and

refurbishment may require expenditures by Franchisee on, among other things, structural changes, installing new equipment, remodeling, redecoration and modifications to existing improvements and such modifications as may be necessary to comply with System-wide standards then in effect for Outlets or to accommodate new TAKAGI COFFEE Products. Accordingly, Franchisee must (i) maintain all equipment used at the Outlet on an as needed basis, (ii) immediately and completely resolve to Franchisor's satisfaction any maintenance deficiencies Franchisor identifies and (iii) make all upgrades to equipment and any technology used in the Outlet that Franchisor may require.

(b) Franchisor may periodically require Franchisee to update the Trade Dress used at the Outlet. Such updates will be contained in the Confidential Operations Manual or otherwise provided to Franchisee in writing. Such updates may require Franchisee to install new color schemes, logos, signage or other visual elements. Franchisor anticipates that such Trade Dress updates will be required no more frequently than once every five years.

(c) Franchisee will always be required to make upgrades and refurbishments to the Outlet before renewing the Franchise pursuant to section 5.2(f) of this Agreement. Otherwise, Franchisor will only require the types of modifications and expenditures described in sections 8.5(a) and 8.5(b) if Franchisor makes a good faith determination that the Outlet is substantially inconsistent with prevailing System-wide standards (including the Trade Dress, safety issues regarding customers and employees, the overall condition of the Outlet, or the type, quality or condition of the equipment needed to adequately prepare, promote and sell TAKAGI COFFEE Products) and that, as a result of its appearance or condition, the Outlet is either (i) not adequately positioned to promote and sell TAKAGI COFFEE Products as then required or (ii) damaging the integrity of the TAKAGI COFFEE image, brand or Marks.

8.6 Relocation of the Outlet.

(a) If Franchisee desires to relocate its Outlet, Franchisee may do so provided that Franchisee makes a written request for consent to relocate, describing the reasons for the relocation and providing a copy of any new lease relating to the relocation premises and other complete written details respecting any proposed new location prior to the signing of the new lease agreement, which must be approved in writing by Franchisor.

(b) Within 20 business days after receiving Franchisee's request, Franchisor will either approve or disapprove in writing such closure or relocation. If Franchisor disapproves a proposed relocation, Franchisee may request an alternative proposed new location for the Outlet pursuant to the provisions of this section 8.6.

(c) Franchisee must obtain Franchisor's approval in writing before signing any new lease for the new location for the Outlet. Franchisee and the landlord may be required to execute a rider to Franchisee's lease for the new location for the Outlet (or other agreement or written understanding) that (i) grants Franchisor an option to assume Franchisee's position as lessee under the lease for the relocated Outlet premises if Franchisee is in material breach of either the lease for the relocated Outlet premises (including an obligation of the landlord to notify Franchisor if Franchisee is in such breach) or this Agreement, (ii) grants Franchisor the right to assign the lease to a *bona fide* franchisee of the System after assuming the lease and (iii) requires the landlord to fully cooperate with Franchisor in completing de-identification of the relocated Outlet in the event this Agreement is terminated or expires without being renewed and Franchisor does not exercise its option to assume the lease for the relocated Outlet premises.

8.7 Record Keeping and Reporting Requirements.

(a) Not later than 10 business days after the end of each month, Franchisee must submit to Franchisor an unaudited profit and loss statement for the month just ended, as well as other financial or statistical reports, records, statements or information as required in the Confidential Operations Manual or otherwise by Franchisor in writing. All financial or statistical information Franchisee provides to Franchisor must be accurate and correct in all material respects.

(b) Within 90 days after the end of each of Franchisee's fiscal years (or any permitted extension for filing same), Franchisee must submit to Franchisor a copy of the Schedule C or equivalent portion of Franchisee's federal tax return that relates to the Outlet and Franchisee's operation of the Franchised Business.

(c) On the Effective Date (and any time thereafter that this date changes), Franchisee must notify Franchisor of Franchisee's fiscal year end date.

(d) Franchisor has the right to use any financial or statistical information Franchisee provides to Franchisor, as Franchisor deems appropriate, including sharing the information with potential investors in Franchisor, buyers of

Franchisor, lenders, attorneys, accountants and advisors on a need to know basis and with an acknowledgment by them the information is only being provided in connection with the transaction between Franchisor and the discloser and is not for public dissemination. However, Franchisor will not identify Franchisee, the Outlet or Franchisee's Territory as the source of the information, and will not disclose any of this information except (i) with Franchisee's written consent, (ii) as required by law or compulsory order or (iii) in connection with audits or collections under this Agreement.

(e) Franchisee must maintain and preserve all books, records and accounts of or relating to the Franchised Business for at least five years after the close of the fiscal year to which the books records and accounts relate.

8.8 Signs and Display Materials.

(a) All signs, display materials, and other materials containing the Marks must be in full compliance with the specifications provided in, and in conformity with, the Confidential Operations Manual. Franchisor will designate or approve the suppliers of such signs, display materials and other materials containing the Marks in accordance with Confidential Operations Manual guidelines.

(b) Subject to applicable governmental ordinances, regulations and statutes, Franchisee agrees to post and maintain, at the Outlet, entirely at Franchisee's expense, any minimum signage recommended by Franchisor. Any signage containing the Marks will be designed by a vendor Franchisor designates and manufactured by a vendor Franchisor designates or approves.

8.9 Telephone Numbers.

At its sole expense, Franchisee must list the telephone number for the Outlet in accordance with the procedures prescribed by the Confidential Operations Manual. At the time of termination, expiration or nonrenewal of this Agreement, for any reason, Franchisee must transfer the telephone numbers for the Outlet to Franchisor or cancel them and de-list them from any applicable telephone directory or other telephone number listing service.

8.10 Insurance.

(a) Franchisee must have in effect on the Opening Date and maintain during the term of this Agreement comprehensive general liability insurance, automobile insurance, and other insurance legally required for Franchisee to operate Franchisee's business at the Outlet (*i.e.*, workers' compensation insurance) or reasonably prudent for the Franchised Business. Required coverage, policy coverage limitations and other terms relating to insurance will be set forth in the Confidential Operations Manual. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII which are authorized to do business in the state where the Outlet is located, unless otherwise approved in writing by Franchisor. Any policies of insurance maintained by Franchisee must contain a separate endorsement naming Franchisor (and Franchisor's other affiliated companies identified by Franchisor in writing), and their respective shareholders, members, managers, directors, officers, employees, and agents as additional insureds to the full extent of coverage provided under the insurance policies. Franchisee's insurance coverage will be primary as respects Franchisor and other affiliated companies identified by Franchisor in writing, and their respective shareholders, members, managers, directors, officers, employees, and agents. Any insurance or self-insurance maintained by Franchisor and other affiliated companies identified by Franchisor in writing, and their respective shareholders, members, managers, directors, officers, employees, and agents will be excess of Franchisee's insurance and will not contribute with it. Franchisee must provide Franchisor a copy of the policy and endorsement upon issuance and upon every renewal. Franchisee hereby grants Franchisor a waiver of any right of subrogation which any insurer of Franchisee may acquire against Franchisor by payment of any loss under such insurance. This provision applies regardless of whether Franchisor has received a waiver of subrogation endorsement from the insurer. Franchisee's obligation to obtain and maintain the foregoing policies of insurance in the amount specified will not be limited in any way by reason of any insurance that may be maintained by Franchisor, nor will Franchisee's procurement of required insurance relieve it of liability under the indemnity provisions set forth in section 16.2 of this Agreement. Franchisee's insurance procurement obligations under this section 8.10 are separate and independent of Franchisee's indemnity obligations under section 16.2 of this Agreement.

(b) Within 30 days after the Opening Date and promptly after each succeeding anniversary of the Opening Date, Franchisee must promptly notify Franchisor of all claims against Franchisee or Franchisor under said policies of insurance and deliver to Franchisor a certificate evidencing such insurance is in full force and effect. Such insurance certificate must contain a statement to the effect the certificate cannot be canceled without 30 days (10 days for non-payment) prior written notice to Franchisee and to Franchisor. Franchisee must notify Franchisor in writing immediately if there is any cancellation, non-renewal or reduction in coverage or limits.

(c) Franchisee's failure, for any reason, to procure and maintain the insurance coverage required under this Agreement will be a material breach of this Agreement.

8.11 Review and Inspection.

(a) Franchisor has the right to send representatives at reasonable intervals at any time (announced or unannounced) during normal business hours to Franchisee's Outlet (or any other facility from which Franchisee sells TAKAGI COFFEE Products or any other offices relating to Franchisee's operation of the Outlet or conduct of the Franchised Business) to review and inspect Franchisee's operations, business methods, service, management and administration at the Outlet or relating to the Franchised Business, to determine the quality thereof and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Confidential Operations Manual and to ensure Franchisee is in compliance with System standards prescribed by Franchisor.

(b) Franchisor and its designated agents also have the right upon 10 days prior notice to examine, copy and audit the books and records relating to the Outlet and Franchisee's operation of the Franchised Business. If an examination or audit discloses any underpayment of any fee, Franchisee must promptly pay the deficient amount plus interest calculated daily from the due date until paid at an APR of 12% (or the highest APR permitted in the state where the Outlet is located, if that APR is lower). If an examination or audit discloses an underpayment or understatement of any amount due Franchisor by 5% or more, or if the examination or audit is made necessary by Franchisee's failure to furnish required information or documents to Franchisor in a timely manner, or it takes Franchisor's auditors an unreasonable amount of time (more than eight hours) to assemble Franchisee's records for audit, Franchisee must reimburse Franchisor for the cost of having Franchisee's books and records examined or audited (this remedy will be in addition to any other rights or remedies Franchisor has under this Agreement or otherwise, including Franchisor's right to terminate this Agreement).

(c) Franchisee must fully cooperate in permitting Franchisor's representatives to access the Outlet (or any other facility from which Franchisee sells TAKAGI COFFEE Products or any other offices relating to Franchisee's conduct of the Franchised Business) during normal business hours to conduct reviews and inspections, and to render such assistance as Franchisor's representatives may reasonably request. Upon notice from Franchisor or Franchisor's representatives, Franchisee must immediately begin such steps as may be necessary to correct any deficiencies noted during any such inspection.

8.12 Compliance with Laws.

(a) Franchisee must always (i) operate the Outlet and the Franchised Business in compliance with all applicable laws, rules and regulations of applicable government authorities, (ii) comply with all applicable wage, hour and other laws and regulations of federal, state or local governments, (iii) prepare and file all necessary tax returns, and (iv) pay promptly all taxes imposed upon Franchisee or upon Franchisee's business or property. Franchisee represents and warrants it will obtain and always maintain the permits, certificates or licenses necessary to operate the Outlet and conduct the Franchised Business in the city, county and state where the Outlet is located.

(b) Franchisee must immediately notify Franchisor of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving Franchisee, or any entity affiliated with Franchisee, or any agent, employee, owner, director or partner of Franchisee, which notification must include all relevant details in respect thereof, according to the procedures set forth in the Confidential Operations Manual.

8.13 Web Site and Internet Marketing.

(a) During the term of this Agreement, Franchisee will use the TAKAGI COFFEE website and any other Internet or social media only as specifically authorized by Franchisor in section 6.2(a) of this Agreement, the Confidential Operations Manual or otherwise in writing to market the Franchised Business conducted at the Outlet and in the Territory. Franchisee may not during the term of this Agreement (i) establish an independent website or social networking media outlet dedicated to marketing the Franchised Business without Franchisor's prior written approval or (ii) register an Internet domain or social networking media outlet name using any of the Marks.

(b) Any alternative distribution methods and programs Franchisee would like to use to engage in the Franchised Business, including e-commerce, web sites, Internet sub-dealers, telesales and telemarketing, or any other non-retail method of distribution, is subject to Franchisor's prior written approval, which approval will be in Franchisor's sole discretion.

IX. PROPRIETARY MARKS

9.1 License of the Marks.

(a) Franchisor hereby grants Franchisee the right during the term hereof to use and display the Marks and use the Intellectual Property in accordance with the provisions contained in this Agreement and in the Confidential Operations Manual, solely in connection with Franchisee's operation of the Franchised Business at the Outlet and in the Territory. Except for the specified rights to use and display the Marks and Intellectual Property granted under this section 9.1(a), Franchisee acquires no other rights to the Marks or Intellectual Property. Neither Franchisee nor any Principal Equity Owner nor any employee, agent, or representative thereof may use, display or permit the use or display of trademarks, trade names, service marks, insignias or logo types other than the Marks and other trademarks and service marks approved for use by Franchisor in connection with the Franchised Business. Neither Franchisee nor any Principal Equity Owner nor any employee, agent, or representative thereof may use or display the Marks or Intellectual Property in connection with the operation of any business or other activity outside the scope of the Franchised Business. Franchisee may only use the Marks and Franchisor's Intellectual Property on the Internet or other electronic media in the manner and as specifically authorized by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee agrees to be responsible for and supervise all of Franchisee's employees and agents to insure the proper use of the Marks and Franchisor's Intellectual Property in compliance with this Agreement.

(b) Franchisee acknowledges and agrees (i) Franchisee's use of the Marks and Franchisor's Intellectual Property is a temporary authorized use under this Agreement, (ii) the Owner of the Marks retains all ownership interests in the Marks, and (iii) Franchisor and the Owner of the Marks retain all ownership of the goodwill generated by the Marks and Franchisor's Intellectual Property. Franchisee acknowledges the use of the Marks and Franchisor's Intellectual Property outside the scope of the terms of this Agreement without Franchisor's written consent is an infringement of the Owner of the Marks' and Franchisor's exclusive right, title and interest in and to the Marks. Franchisee agrees as between Franchisee and Franchisor, all rights to use the Marks and Franchisor's Intellectual Property within the franchised System are Franchisor's exclusive property. Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof because of Franchisee's use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Trade Dress, Confidential Operations Manual and Franchisor's other manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between Franchisee and Franchisor, remain vested solely in Franchisor, and the use thereof is only co-extensive with the term of this Agreement.

(c) Franchisee agrees during the term of the Franchise, and after any assignment, expiration or termination of the Franchise, Franchisee will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks or Franchisor's Intellectual Property or take any other action in derogation of the Marks and Franchisor's Intellectual Property, and that no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the System, the Marks or Franchisor's Intellectual Property.

(d) Franchisee hereby grants Franchisor the right at any time to use the name, image and likeness of Franchisee and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, Franchisor's Intellectual Property, TAKAGI COFFEE Products, the Outlet, the Franchised Business and the System, without any form of compensation or remuneration. The terms of this section 9.1(d) survive termination or expiration of this Agreement.

[Franchisee's Initials: _____]

(e) Franchisee acknowledges Franchisor prescribes uniform standards respecting the nature and quality of TAKAGI COFFEE Products provided by Franchisee in connection with which the Marks are used. Nothing herein gives Franchisee any right, title or interest in or to any of the Marks, except a mere privilege and license during the term hereof to display and use the same and Franchisee agree that all of Franchisee's use of the Marks under this Agreement inures to the benefit of Franchisor and the Owner of the Marks.

(f) Franchisee agrees that all materials associated with Franchisor, TAKAGI COFFEE Products or other services, artwork, graphics, layouts, slogans, names, titles, text or similar materials incorporating, or being used in connection with, the Marks which may be created by Franchisee, Franchisee's employees, agents and subcontractors and any other party with whom Franchisee may contract to have such materials produced pursuant to this Agreement will become the sole property of Franchisor and the Owner of the Marks, including copyright and trademark rights. In furtherance thereof, Franchisee hereby and irrevocably assigns to Franchisor all such materials,

artwork, graphics, layouts, slogans, names, titles, text or similar materials, whether presently or hereafter existing and to ensure the creators thereof respect the intellectual property rights of Franchisor and the Owner of the Marks therein. Furthermore, Franchisee agrees on behalf of itself, its employees, its agents, its subcontractors and any other party with whom Franchisee may contract to have such materials produced, to promptly execute any and all appropriate documents in this regard. Franchisee acknowledges and agrees that as between Franchisee and Franchisor, all Suggestions (and all Intellectual Property Rights in and to the Suggestions) are owned exclusively by Franchisor, except as otherwise set forth herein. Franchisee's Suggestions will not entitle Franchisee to any Intellectual Property Rights in and to the System and the System will not become a joint work of authorship as a result of Franchisee's Suggestions under any circumstances. Franchisee's Suggestions will be considered as a "work for hire" (as defined under the United States Copyright Act), and such Suggestions will be owned by and for the benefit of Franchisor. To the extent that any such Suggestions by Franchisee may not constitute a work for hire, Franchisee hereby grants, assigns and transfers all right, title and interest in and to such Suggestions, including all rights in and to the Intellectual Property therein, to Franchisor and agrees to execute any and all further documents and things reasonably required by Franchisor to effect and record such assignment. If Franchisee has any such rights that cannot be assigned to Franchisor, Franchisee waives the enforcement of such rights, and if Franchisee has any rights which cannot be assigned or waived, Franchisee hereby grants to Franchisor an exclusive, irrevocable, perpetual, worldwide, fully paid license (with right to sublicense through multiple tiers) to such rights. Franchisee acknowledges there are, and may be, future rights that Franchisee may otherwise become entitled to with respect to the Suggestions not yet existing, as well as new uses, media, means and forms of exploitation throughout the universe exploiting current or future technology yet to be developed, and Franchisee specifically intends the foregoing assignment of rights to Franchisor will include all such now known or unknown uses, media and forms of exploitation throughout the universe.

9.2 Franchisee's Business Name.

(a) In connection with Franchisee's operation of the Outlet, Franchisee agrees at all times and in all advertising, promotions, signs and other display materials, on Franchisee's letterheads, business forms, and at the Outlet and other authorized business sites, in all of Franchisee's business dealings related thereto and to the general public, Franchisee will identify the Franchised Business solely under a trade name containing the Mark "TAKAGI COFFEE" and authorized by Franchisor ("Business Name") together with the words "INDEPENDENTLY OWNED AND OPERATED" on Franchisee's letterhead, contract agreements, invoices, advertising and other written materials containing the Marks as Franchisor may direct.

(b) Franchisee must file and keep current a fictitious business name statement, assumed name certificate or similar document regarding Franchisee's Business Name in the county or other designated jurisdiction in which Franchisee is conducting business and at such other places as may be required by law. Before Franchisee commences engaging in the Franchised Business under the Marks, Franchisee must supply evidence satisfactory to Franchisor that Franchisee have complied with relevant laws regarding the use of fictitious or assumed names.

(c) On expiration or sooner termination of this Agreement, Franchisor may, if Franchisee do not do so, execute in Franchisee's name and on Franchisee's behalf any and all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Marks and Business Name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

(d) Franchisee further agrees it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, division, shareholder, partner, joint venture, agent or employee of Franchisor or the Owner of the Marks or (iii) any of Franchisor's other franchisees.

(e) If Franchisee is an entity, it cannot use the Mark "TAKAGI COFFEE" in its legal name.

9.3 Trade Secrets and Proprietary Information.

(a) Under this Agreement, Franchisor is granting Franchisee access to the Proprietary Information, Confidential Information and Franchisor's other confidential data and information. Franchisee acknowledges that the material and information now and hereafter provided or revealed to Franchisee pursuant to this Agreement (including in particular, but without limitation, the contents of the Confidential Operations Manual) are Franchisor's confidential trade secrets and are revealed in confidence, and Franchisee expressly agrees to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter. Franchisor expressly reserves all rights with respect to the Marks, Proprietary Information, Confidential Information methods of operation and other proprietary

information, except as may be expressly granted to Franchisee hereby or in the Confidential Operations Manual. Franchisor will disclose to Franchisee certain Trade Secrets as reasonably needed for the operation by Franchisee of the Franchised Business by loaning to Franchisee, for the term of this Agreement, the Confidential Operations Manual and other written materials containing the Trade Secrets, through training and assistance provided to Franchisee hereunder, and by and through the performance of Franchisor's other obligations under this Agreement.

(b) Franchisee acknowledges that Franchisor is the sole owner of all Proprietary Information and Confidential Information, including the Trade Secrets; that such information is being imparted to Franchisee only because of Franchisee's special status as a franchisee of the System; and that the Proprietary Information and Confidential Information is not generally known to Franchisor's industry or the public at large and is not known to Franchisee except by reason of such disclosure. Franchisee further acknowledges that Franchisee will acquire no interest in the Proprietary Information or Confidential Information disclosed to Franchisee, other than the right to use it in the development and operation of the Outlet during the term of this Agreement.

(c) Franchisee may not copy or duplicate Proprietary Information or Confidential Information without Franchisor's prior written approval. Franchisee agrees it will not do or permit any act or thing to be done in derogation of any of Franchisor's rights in connection with the Marks, either during the term of this Agreement or thereafter, and it will use the Marks only for the uses and in the

(b) Franchisor has the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks or Franchisor's Intellectual Property being used by Franchisee or constitutes a misuse of the Marks or Franchisor's Intellectual Property, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

(c) Franchisee hereby indemnifies Franchisor and holds Franchisor harmless from and against any and all judgments resulting from any claim, suit or demand arising from Franchisee's unauthorized and improper use of the Marks or Franchisor's Intellectual Property.

X. MARKETING AND PROMOTION

10.1 Use of Marketing and Promotion Fees.

(a) When Franchisor begins collecting Marketing and Promotion Fees, Franchisor will expend, for the purposes of national, regional or local marketing, advertising, cooperative advertising, market research, public relations and promotional campaigns designed to promote and enhance the value of the Marks and general public recognition and acceptance thereof, an amount equal to the aggregate Marketing and Promotion Fees stated in section 4.3 hereof and collected from all of its franchisees less a 15% administrative fee. None of the Marketing and Promotion Fees will be deemed to be held subject manner franchised and licensed hereunder and as herein provided. Furthermore, Franchisee and Franchisee's employees and agents will not engage in any act or conduct impairing the goodwill associated with the Marks.

(d) Franchisee agrees to indemnify and hold harmless Franchisor from all "Losses" (as defined in section 16.2(d) below), which Franchisor may sustain as a result of any unauthorized use or disclosure of Proprietary Information, Confidential Information or Marks by Franchisee or its employees and agents. Franchisee further agrees and acknowledges that the disclosure or use of Proprietary Information, Confidential Information or Marks in a manner not authorized by this Agreement will cause immediate and irreparable damage to Franchisor that would be impossible or inadequate to measure and calculate and could not be fully remedied by monetary damages. Accordingly, Franchisor has the right to specifically enforce this Agreement and seek injunctive or other equitable relief as may be necessary or appropriate to prevent such unauthorized disclosures or use without the necessity of proving actual damages by reason of any such breach or threatened breach of this Agreement. Franchisee further agrees that no bond or other form of security is required to obtain such equitable relief and Franchisee hereby consents to the issuance of such injunction and to the ordering of specific performance. Franchisee further agrees and acknowledges that such remedies are in addition to any other rights or remedies, whether at law or in equity, which may be available to Franchisor, including monetary damages.

(e) 18 U.S.C. Section 1833(b) states: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Accordingly, Franchisor and Franchisee will each have

the right to disclose in confidence Trade Secrets to Federal, State, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Franchisor and Franchisee also have the right to disclose Trade Secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. Section 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. Section 1833(b).

(f) The provisions of this section 9.3 will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, this section 9.3 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with applicable law.

9.4 Modification of Marks and Trade Dress.

Franchisor may add to, substitute or modify any Marks or Trade Dress from time to time, by directive in the Confidential Operations Manual. Franchisee agrees to accept, use, display, or cease using, as may be applicable, the Marks and Trade Dress, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and agrees, within 180 days of receiving notification, to commence implementing such changes and using its best efforts to complete such changes as soon as practicable.

9.5 Mark Infringement Claims and Defense of Marks.

(a) If Franchisee receives notice or otherwise become aware of any claim, suit or demand, threatened or pending, against Franchisee by any party other than Franchisor, the Owner of the Marks or any of Franchisor's affiliates on account of any alleged infringement, unfair competition or similar matter arising from Franchisee's use of the Marks in accordance with the terms of this Agreement, or any misuse of the Marks by third parties on the Internet or otherwise, Franchisee agrees to immediately notify Franchisor of such claim, suit, demand or misuse. Franchisee has no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without Franchisor's prior written consent. Franchisor will defend, compromise or settle at Franchisor's discretion any such claim, suit or demand and take steps to stop misuse at Franchisor's cost and expense, using attorneys selected by Franchisor or the Owner of the Marks, and Franchisee agrees to cooperate fully in such matters.

(b) Franchisor has the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks or Franchisor's Intellectual Property being used by Franchisee or constitutes a misuse of the Marks or Franchisor's Intellectual Property, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

(c) Franchisee hereby indemnifies Franchisor and holds Franchisor harmless from and against any and all judgments resulting from any claim, suit or demand arising from Franchisee's unauthorized and improper use of the Marks or Franchisor's Intellectual Property.

X. MARKETING AND PROMOTION

10.1 Use of Marketing and Promotion Fees.

(a) When Franchisor begins collecting Marketing and Promotion Fees, Franchisor will expend, for the purposes of national, regional or local marketing, advertising, cooperative advertising, market research, public relations and promotional campaigns designed to promote and enhance the value of the Marks and general public recognition and acceptance thereof, an amount equal to the aggregate Marketing and Promotion Fees stated in section 4.3 hereof and collected from all of its franchisees less a 15% administrative fee. None of the Marketing and Promotion Fees will be deemed to be held subject to any type of trust arrangement. No interest on unexpended Marketing and Promotion Fees will be imputed for Franchisee's benefit or payable to Franchisee. If requested by Franchisee in writing not later than March 31 of any calendar year, Franchisor will provide Franchisee not later than May 31 of the same calendar year with a statement of receipts and expenditures of the aggregate Marketing and Promotion Fees relating to the preceding calendar year, certified to be correct by one of Franchisor's executive officers.

(b) In Franchisor's sole discretion and as Franchisor deems appropriate, Franchisor is obligated to spend the Marketing and Promotion Fees collected from Franchisee and all other System franchisees (less Franchisor's 15% administrative fee) on regional, local or national media or other marketing techniques or programs designated to promote the Marks and the retail sale of TAKAGI COFFEE Products, website development and support, creative and production costs, and for other purposes deemed appropriate by Franchisor to enhance and promote the general recognition of System franchises.

(c) Franchisor may also spend Marketing and Promotion Fees collected from Franchisee and all other System franchisees for initiatives Franchisor approves, which may include branding and marketing studies, initiatives and research; test marketing new products or concepts; the development of marketing strategies, tools, initiatives, and materials; public relations; market research; annual conferences (excluding the expenses of Franchisor's principals and employees to travel to such conferences); and occasional selective regional and local advertising.

10.2 Advertising Content and Costs.

Franchisor solely determines the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to local, regional or system-wide advertising, public relations and promotional campaigns.

XI. NON-COMPETITION COVENANTS

11.1 Exclusive In-Term Dealing.

(a) Franchisee acknowledges it will receive valuable specialized training and access to Proprietary Information and Confidential Information, including information regarding the operational, sales, promotional and marketing methods and techniques of the System and Franchisor's Trade Secrets. In consideration for the use and license of such valuable information, Franchisee agrees that it will not during the term of this Agreement operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareholder, manager, member, partner or otherwise), or engage in, any competing business selling goods or offering services equivalent to TAKAGI COFFEE Products or the Franchised Business, without Franchisor's express prior written consent, which consent may be withheld in Franchisor's sole and absolute discretion.

(b) It is the intention of both Franchisee and Franchisor for Franchisee to maximize the Franchised Business at the Outlet or in the Territory, and any action of Franchisee diverting business to another entity or diminishing the Franchised Business being conducted at the Outlet or in the Territory will be a material breach of this Agreement. Accordingly, neither Franchisee nor any Principal Equity Owner may, either directly or indirectly, for itself and themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity, (i) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or (ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

11.2 Post Termination Non-Competition Covenants.

(a) For a period of two years after the date ("Termination Date") this Agreement is terminated, is canceled, or expires without renewal pursuant to section 5.2 of this Agreement, Franchisee agrees it will not (either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner, joint venture or otherwise), or engage in, any competing business selling goods or offering services equivalent to TAKAGI COFFEE Products or the Franchised Business, within a radius of 25 miles of (i) the Outlet or (ii) any other authorized location selling TAKAGI COFFEE Products, without Franchisor's express prior written consent, which consent may be withheld in Franchisor's sole and absolute discretion. Following termination or expiration of this Agreement, Franchisee must always refrain from any use, direct or indirect, of any Proprietary Information, Confidential Information or Trade Secrets.

(b) If any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits Franchisor's rights under section 11.2(a) above, then the section will be deemed amended (or deleted) to conform to the requirements of such laws and regulations, but in such event (unless deleted) the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

11.3 General Provisions Regarding Non-Competition Covenants.

(a) Franchisee acknowledges the restrictions contained in this Article XI are reasonable and necessary to protect Franchisor's legitimate interests, and in the event of violation of any of these restrictions, Franchisor is entitled to recover damages including, without limitation, Royalties and other fees which would have been payable if such business were included in the Franchised Business (and to receive an accurate and complete accounting of all earnings, profits and other benefits arising from such violation), which rights and remedies will be cumulative and in addition to any other rights or remedies to which Franchisor is entitled at law or in equity.

(b) Franchisee agrees to indemnify and hold harmless Franchisor from all Losses (as defined in section 16.2) which Franchisor may sustain as a result of any breach of this Article XI by Franchisee, any Principal Equity Owner, or Franchisee's General Manager. Franchisee further agrees that a breach of the non-competition covenants set forth above will cause immediate and irreparable damage to Franchisor that would be impossible or inadequate to measure and calculate and could not be fully remedied by monetary damages. Accordingly, Franchisor has the right to specifically enforce this Agreement and seek injunctive or other equitable relief as may be necessary or appropriate to prevent such breach or continued breach without the necessity of proving actual damages by reason of any such breach or threatened breach of this Agreement. Franchisee further agrees that no bond or other security will be required in obtaining such equitable relief and hereby consent to the issuance of such injunction and to the ordering of specific performance. Franchisee further acknowledges that such remedies are in addition to any other rights or remedies, whether at law or in equity, which may be available to Franchisor, including monetary damages.

(c) This Article XI applies to Franchisee, all Principal Equity Owners, and Franchisee's General Manager.

(d) Each provision of this Article XI is independent of each other provision of this Agreement. If any provision of this Article XI is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, Franchisee agrees to be bound to the maximum extent permitted by law with respect to that provision, which will be deemed restated accordingly, and agree to be bound by all other provisions of this Article XI.

XII. ASSIGNMENT

12.1 Assignment by Franchisor.

Franchisor has the right to Transfer this Agreement and all of Franchisor's rights and privileges hereunder ("Assignment by Franchisor") to any other person, firm or corporation ("Franchisor's Assignee") provided that (i) at the time of Assignment by Franchisor, Franchisor's Assignee will be financially responsible and economically capable of performing the obligations of franchisor hereunder; and (ii) Franchisor's Assignee will expressly assume and agree to perform such obligations. Upon the effective date of the Assignment by Franchisor and thereafter, Franchisor will be relieved of all obligations or liabilities under this Agreement.

12.2 Assignment by Franchisee.

(a) This Agreement is being executed by Franchisor in reliance upon and in consideration of the unique skills and qualifications of Franchisee and the Principal Equity Owners and the trust and confidence reposed in them by Franchisor. Therefore, neither Franchisee's interest in this Agreement and the Franchise granted hereunder, nor all or substantially all of the assets of the Outlet, nor a controlling interest in Franchisee (if an entity), may be assigned, transferred, shared or divided, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner (collectively, "Assignment by Franchisee"), without Franchisor's prior written consent and subject to Franchisor's right of first refusal provided for in section 12.3 hereof. Franchisor's consent to a specific Assignment by Franchisee is not cumulative and will not apply to any subsequent assignments, in respect of each of which Franchisee must comply with this section 12.2.

(b) Prior to any Assignment by Franchisee, Franchisee must notify Franchisor of Franchisee's intent to sell, transfer or assign the Franchise, all (or substantially all) the assets of the Outlet, or a controlling interest in Franchisee (if an entity). The notice must be in writing, delivered to Franchisor in accordance with section 16.1 hereof and include the following:

(i) the proposed transferee's name and address;

(ii) a copy of all agreements related to the sale, assignment, or transfer of the Franchise, the assets of the of the Outlet, or the controlling interest in Franchisee (if an entity); and

(iii) the proposed transferee's application for approval to become the successor franchisee (this application must include all forms, financial disclosures and related information generally used by Franchisor when interviewing prospective new franchisees, if Franchisor makes those forms available to Franchisee. If the forms are not readily available, Franchisee must request that Franchisor deliver the forms to Franchisee by business courier in accordance with section 16.1 hereof within 15 calendar days). As soon as practicable after the receipt of the proposed transferee's application, Franchisor will notify, in writing, Franchisee and the proposed transferee of any additional information or documentation necessary to complete the transfer application. If Franchisor's then-existing standards for the approval of new or renewing franchisees are not readily available to Franchisee when Franchisee notifies Franchisor of Franchisee's intent to sell, transfer, or assign the Franchise, all or substantially all of the assets of the Outlet, or a controlling interest in Franchisee (if an entity), Franchisor will communicate the standards to Franchisee within 15 calendar days.

(c) Within 60 days after the receipt of all necessary information and documentation required pursuant to section 12.2(b) above, or as specified by other written agreement between Franchisor and Franchisee, Franchisor will notify Franchisee of the approval or disapproval of the proposed Assignment by Franchisee. The notice will be in writing and delivered to Franchisee by business courier in accordance with section 16.1 hereof. Should Franchisor elect not to exercise Franchisor's right of first refusal, or should such right of first refusal be inapplicable, as herein provided, Franchisor's consent to the proposed Assignment by Franchisee will be deemed approved, unless disapproved by Franchisor in writing and for reasons permitted by the law governing this Agreement. If the proposed sale, assignment or transfer is disapproved, Franchisor shall include in the notice of disapproval a statement setting forth the reasons for the disapproval. Franchisor may impose, among other things, the following conditions precedent to Franchisor's consent to any such Assignment by Franchisee (these conditions are consistently applied to similarly situated franchisees operating under the Franchise brand):

(i) the assignee of Franchisee ("Franchisee's Assignee") must complete Franchisor's application for a franchise, and in connection therewith, Franchisee and Franchisee's Assignee must fully disclose in writing all terms and conditions of the Assignment by Franchisee;

(ii) Franchisee's Assignee and the principal equity owners of Franchisee's Assignee demonstrate that it or they have the skills, qualifications, moral and ethical reputation, and economic resources necessary, in Franchisor's sole judgment, to conduct the business contemplated by this Agreement;

(iii) Franchisee's Assignee and each principal equity owner of Franchisee's Assignee expressly assume in writing for Franchisor's benefit all of Franchisee's obligations under this Agreement;

(iv) Franchisee's Assignee executes the then current form of Franchise Agreement being used by Franchisor for the remainder of the term of this Agreement;

(v) Franchisee must have complied fully as of the date of any such Assignment by Franchisee with all of Franchisee's material obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor;

(vi) Franchisee's Assignee agrees (A) a General Manager successfully trained by Franchisor must at all times be employed to operate the Outlet and (B) Franchisor's Initial Training program described in section 6.1 hereof and any other training or orientation programs then required by Franchisor will be satisfactorily completed by other necessary personnel within 30 days after the execution by Franchisee's Assignee of a Franchise Agreement, provided, however, Franchisee's Assignee must also agree to pay for all expenses related to this training, including any fee Franchisor charges for training (at the rate in effect at the time of transfer), travel, lodging and meal expenses; and

(vii) at least 10 days before the transfer, Franchisee pays Franchisor a non-refundable "Transfer Fee" of \$10,000 (subject to adjustment in Franchisor's discretion if multiple Outlets owned by Franchisee are being simultaneously transferred and also subject to adjustment based on corresponding changes in the CPI since the Effective Date).

(d) Franchisee does not have a right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever (except that with Franchisor's consent, which will not be unreasonably withheld, Franchisee may pledge a security interest in this Agreement in connection with a Small Business Administration loan), nor subfranchise or otherwise transfer, or attempt to subfranchise or otherwise transfer the Franchised Business, or to transfer or subfranchise a portion but not all of Franchisee's rights hereunder

without Franchisor's express prior written consent, which may be withheld for any reason in Franchisor's sole discretion.

(e) Any attempt by Franchisee to assign the Franchise, all (or substantially all) the assets of the Outlet, or a controlling interest in Franchisee (if an entity) in violation of this section 12.2 is void and will (i) constitute a material breach of this Agreement, (ii) cause this Agreement (and in Franchisor's sole discretion any or all other agreements between Franchisee and Franchisor, or between Franchisee and Franchisor's affiliates) to be subject to immediate termination without further notice, and (iii) confer no rights or interest whatsoever under this Agreement upon any other party.

(f) Upon Franchisor's consent to any Assignment by Franchisee, Franchisee must bring all accounts with Franchisor current and transfer to Franchisee's assignee all service agreements or contracts signed by customers of the Franchised Business conducted at the Outlet. Also, Franchisee must (i) execute an agreement among Franchisee, Franchisor and Franchisee's assignee effecting the Assignment by Franchisee, which will include a mutual release between Franchisee and Franchisor and (ii) execute an assignment of the lease for the Outlet premises (including an assignment to the assignee of Franchisee's rights, title and interest to telephone numbers and utilities respecting the Outlet).

12.3 Right of First Refusal.

(a) Except for a Transfer (i) to Franchisee's heirs, personal representatives or conservators in the case of death or legal incapacity as provided in section 12.6 hereof or (ii) between or among individuals (including their immediate family members) who have guaranteed obligations under an SBA guaranteed loan, Franchisee's right to Transfer Franchisee's entire interest in the Franchise granted by this Agreement under section 12.2 hereof is subject to Franchisor's right of first refusal, which will be exercised in accordance with the terms of this section 12.3.

(b) Franchisee must deliver to Franchisor a written notice setting forth (i) all terms and conditions of any *bona fide* offer relating to a proposed Assignment by Franchisee, and (ii) all available information concerning Franchisee's Assignee including a detailed summary of how the proposed assignee meets Franchisor's qualifications for a new TAKAGI COFFEE franchisee, and any other related information requested by Franchisor. If the specified terms and conditions include consideration of a non-monetary nature, such consideration must be expressed in reasonably equivalent monetary terms, and if it involves matters which cannot be stated in monetary terms, such consideration will not be considered in connection with Franchisor's right of first refusal.

(c) Within 15 days after Franchisor's receipt of such notice (or if Franchisor requests additional information, within 10 days after receipt of such additional information), Franchisor may either (i) consent or withhold Franchisor's consent to such Assignment by Franchisee, in accordance with section 12.2 hereof, or (ii) at Franchisor's option, accept the Assignment by Franchisee itself or on behalf of Franchisor's nominee upon the terms and conditions specified in the notice.

(d) If Franchisor elects not to exercise its right of first refusal and consents to the Assignment by Franchisee, Franchisee will for a period of 60 days, and subject to the provisions of section 12.2 hereof, be free to assign this Agreement to such proposed Assignee upon the terms and conditions specified in said notice. If, however, these terms are modified in any material manner (as determined by Franchisor), or if said 60-day period expires, Franchisor will again have such right of first refusal with respect thereto and Franchisee will again be required to comply with section 12.3(b) above. Detailed terms of assignment must be delivered to Franchisor no later than 72 hours following the close of escrow or other consummation of the transaction.

12.4 Transfers to Certain Family Members.

Franchisee or a Principal Equity Owner, if a natural person, may

(c) No Transfer under this section 12.6 will be subject to (i) Franchisor's right of first refusal set forth in section 12.3 hereof or (ii) the Transfer Fee set forth in section 12.2(b)(vii) above, although such refusal right and Transfer Fee will be applicable to any subsequent Transfer by Franchisee's (or a Majority Equity Owner's) heirs, personal representatives or conservators. However, Franchisee must comply with sections 12.2(b)(i) through (vi) above, as well as provide Franchisor with full disclosure of the terms of said transfer not later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three business days following the close of the transaction.

12.7 Consent to Transfers.

Except as otherwise provided in this Agreement and subject to Franchisor's right of first refusal provided in section 12.3 hereof, Franchisee may consummate any Transfer only after written notice to Franchisor and only with Franchisor's written consent, which will not be unreasonably withheld.

XIII. DEFAULT AND TERMINATION

13.1 General.

(a) This Agreement may be terminated unilaterally by Franchisor or Franchisee only for cause, which for purposes of this Agreement means a material violation of this Agreement and includes any failure by Franchisee or Franchisor to substantially comply with any obligation, duty or promise under this Agreement, including those acts or omissions specified in sections 13.2 and 13.3 hereof. If Franchisor is in material breach of this Agreement, Franchisee may terminate this Agreement by giving Franchisor prior written notice setting forth the asserted breach of this Agreement and giving Franchisor 60 days in which to cure the breach. If Franchisee is in material breach of this Agreement, Franchisor may exercise Franchisor's right to terminate this Agreement in accordance with this Article XIII. If Franchisor becomes insolvent or declares bankruptcy, Franchisee will continue to have the right to operate under this Agreement until and unless a court orders otherwise. If because of the nature of the breach, it would be unreasonable for Franchisor to be able to cure the breach within 60 days, Franchisor will be given additional

time (up to 30 additional days) as is reasonably necessary to cure said breach, upon condition that Franchisor must, upon receipt of such notice from Franchisee, immediately commence to cure such breach and continue to use best efforts to do so.

(b) A material breach of this Agreement means any action or omission by Franchisee seriously impairing or adversely affecting the System, Franchisor or the relationship created by this Agreement.

(c) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the option, to be exercised in its sole discretion, to choose alternative remedies to Franchisor's right to terminate the entire Agreement.

(d) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor has the right to exercise any and all remedies available to Franchisor at law or in equity, including without limitation specific performance and damages (including punitive damages). All rights and remedies provided herein are in addition to and not in substitution of all other rights and remedies available to a party at law or in equity.

13.2 Immediate Termination.

(a) Franchisor has the right to terminate this Agreement immediately upon notice to Franchisee without an opportunity to cure if:

(i) Franchisee or the Outlet has been the subject of an order for relief in bankruptcy, is judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or Franchisee admits its inability to pay its debts as they come due;

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

(iii) Franchisee sells or provides to a third party without Franchisor's written consent any proprietary component of TAKAGI COFFEE Products;

(iv) Franchisee makes any material misrepresentations relating to the acquisition of the Franchise or Franchisee engages in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System;

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

(vi) Franchisee fails to comply with the same material requirement of the Franchise two times in any 12-month period, whether or not corrected after notice;

(vii) the Franchised Business or the Outlet is seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lien holder or lessor, resulting from a final judgment against Franchisee that remains unsatisfied for 30 days (unless an appeal bond has been filed);

(viii) a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five days of such levy;

(ix) Franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the Franchise; or

(x) Franchisor makes a reasonable determination with Franchisor's consent, which will not be unreasonably withheld, transfer the Franchised Business or an equity interest in Franchisee's franchised entity to such person's immediate family member (defined as a spouse or person having equivalent rights under applicable federal or state law, parent,

sibling, niece, nephew, descendant or spouse's descendant) provided a qualified and trained General Manager remains employed at the Outlet or other adequate (in Franchisor's reasonable determination) provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement. No transfer under this section 12.4 will be subject to Franchisor's right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide full disclosure of the terms of said transfer and deliver to Franchisor no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three business days following the close of the transaction.

12.5 Transfers to Affiliated Entities.

Franchisee or a Principal Equity Owner may without Franchisor's consent, but upon 30 days prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee's franchised entity to an entity that is (i) organized for the purpose of operating the Franchised Business and (ii) owned in the same proportionate amount of ownership as prior to such Transfer, provided a qualified and trained General Manager remains employed at the Outlet or other adequate (in Franchisor's reasonable determination) provision is made for the management of the Franchised Business. No Transfer under this section 12.5 will be subject to Franchisor's right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, Franchisee must comply with sections 12.2(b)(i) through (vi) above, as well as provide full disclosure of the terms of said transfer and deliver to Franchisor no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three business days following the close of the transaction. Also, Franchisee acknowledges and agrees that any Transfer to an affiliate will not relieve the Franchisee from its obligations under this Agreement.

12.6 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner.

(a) Notwithstanding the foregoing, in the event of Franchisee's death or legal incapacity if Franchisee is an individual, or the death or legal incapacity of a Principal Equity Owner of Franchisee owning a majority equity interest ("Majority Equity Owner") in Franchisee (if an entity), the transfer of Franchisee's or the deceased Majority Equity Owner's interest in this Agreement to his or her spouse, parent or adult children, will not be deemed Assignment by Franchisee, provided a qualified and trained General Manager remains employed at the Outlet or another responsible management employee or agent of Franchisee satisfactorily trained by Franchisor will be responsible for the Franchised Business.

(b) In the event of an individual Franchisee's death or the death of a Majority Equity Owner, such person's interest in this Agreement or its equity interest in the franchise entity must Transfer within 270 days after the date of death in accordance with such person's will or, if such person dies without a will, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business. If Franchisor determines (i) there is no imminent sale to a qualified successor or (ii) there is no heir or other Principal Equity Owner capable of operating the Franchise, Franchisor may (but is not obligated to) immediately commence operating the Franchised Business on Franchisee's behalf for a period of up to 30 days, renewable as Franchisor deems necessary for up to 90 days and Franchisor will periodically discuss the status with Franchisee or its heirs. For such management assistance, Franchisee or the successor in interest must pay Franchisor a reasonable management fee of up to \$750 per day for our representative serving as the interim manager (plus our manager's travel, lodging, and living expenses).

Franchisee's continued operation of the Franchise will result in an imminent danger to public health or safety.

(b) If Franchisee's rights under this Agreement are terminated by Franchisor because of an event described in section 13.2(a) above, section 14.1 below is not applicable, and Franchisor may immediately commence an action under section 14.2 or 14.3 below, as applicable, to collect damages or otherwise enforce its rights.

13.3 Termination After Notice.

(a) Except as provided in section 13.2 above, Franchisor may terminate this Agreement only for good cause (as defined in section 13.1(a) above) after giving Franchisee prior written notice setting forth the asserted breach of this Agreement and giving Franchisee 30 days in which to cure the breach. Upon receipt of a notice of breach, Franchisee must immediately commence diligently to cure said breach, and if Franchisee cures said breach within 30 days, the right to terminate this Agreement will cease. If because of the nature of the breach, it would be

unreasonable for Franchisee to be able to cure the breach within 30 days, Franchisee will be given additional time (up to 30 additional days) as is reasonably necessary in Franchisor's determination to cure said breach.

(b) If Franchisee's rights under this Agreement are terminated by Franchisor for material breach, Franchisor may, at Franchisor's option, declare Franchisee in breach of all franchise agreements and other agreements Franchisee has executed with Franchisor, and terminate Franchisee's rights under those other agreements as well.

(c) If Franchisee's rights under this Agreement are terminated by Franchisor for failure to make any payment due under this Agreement, section 14.1 below is not applicable, and Franchisor may immediately commence an action under section 14.2 below to collect damages or otherwise enforce its rights.

13.4 Description of Default.

The description of any breach in any notice served by Franchisor hereunder upon Franchisee in no way precludes Franchisor from specifying additional or supplemental breaches in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.5 Statutory Limitations.

Notwithstanding anything to the contrary in this Article XIII, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits Franchisor's rights of termination hereunder or requires longer notice periods than those set forth herein, and if the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement will be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of such law or regulation.

13.6 Extended Cure Period.

Notwithstanding anything contained herein to the contrary, including section 13.3(c) hereof, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the right, to be exercised in Franchisor's sole discretion, to grant to Franchisee in writing only, in lieu of termination of this Agreement, an extended period of time to cure the breach which gave rise to Franchisor's right to terminate, but in no event may such extended cure period exceed six months from the last day of the cure period otherwise applicable to such breach. Franchisee acknowledges Franchisor's election to grant an extended cure period to Franchisee will not operate as a waiver of any of Franchisor's rights hereunder.

13.7 Franchisor's Right to Cure Franchisee's Defaults and Assume Lease.

(a) In addition to all other remedies herein granted, if Franchisee breaches in the performance of any of Franchisee's obligations or breaches any term or condition of this Agreement or any related agreement involving third parties, Franchisor may, at Franchisor's election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Franchisee, cure the breach for Franchisee's account and on Franchisee's behalf, and all costs or expenses including attorney's fees incurred by Franchisor on account thereof are due and payable by Franchisee to Franchisor on demand.

(b) If Franchisor terminates this Agreement for cause, Franchisor has the right (but not the obligation) to assume the lease for the Outlet premises and to purchase Franchisee's assets pursuant to section 15.2(d) below.

13.8 Waiver and Delay.

No waiver by Franchisor of any breach or series of breaches or breaches in performance by Franchisee, and no failure, refusal or neglect of Franchisor either to exercise any right, power or option given to Franchisor hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Confidential Operations Manual, constitutes a waiver of the provisions of this Agreement or the Confidential Operations Manual with respect to any subsequent breach thereof or a waiver by Franchisor of Franchisor's right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.9 Recovery of Lost Royalty.

If this Agreement is terminated because of Franchisee's material breach, based on the estimated time it takes for a replacement franchise Outlet to achieve a similar revenue stream, in addition to any other damages or relief, Franchisor may recover liquidated damages equal to the amount of the Royalty paid by Franchisee (i) during the 18 months prior to the date this Agreement was terminated, or (ii) if the Opening Date is less than 18 months before the termination date, the time since the Opening Date.

13.10 Collection Costs.

Franchisor is entitled to reimbursement from Franchisee upon Franchisor's demand of all costs Franchisor incurs (including reasonable attorneys' fees and investigator's fees) to enforce Franchisor's rights under this Agreement, including actions to collect any amounts due and delinquent hereunder.

13.11 Continuance of Business Relations.

Any continuance of business relations between Franchisee and Franchisor after termination of this Agreement will not be construed as a renewal, extension or continuation of this Agreement.

XIV. DISPUTE RESOLUTION

14.1 Initial Steps to Resolve a Dispute; Mediation.

(a) Franchisor and Franchisee have entered into a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, in the overall best interests of the System, as contemplated by this Agreement. Consequently, Franchisee and Franchisor agree to sincerely attempt in good faith to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between Franchisee and Franchisor are an important aspect of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, "Dispute") by first having Franchisor's executive officers and Franchisee's Principal Equity Owners meet in person within five business days after a party notifies the other party that a Dispute has arisen at Franchisor's principal executive office (without their respective legal counsel) to conduct a good faith discussion and negotiation of the issues with the express intention of arriving at a settlement ("Settlement Conference"). Franchisor may proceed to terminate this Agreement in either of the following two situations without a Settlement Conference or mediation proceeding: (i) if there is any breach of this Agreement by Franchisee that may result in an immediate termination of this Agreement pursuant to section 13.2 above, or (ii) if Franchisee fails to pay any sums due Franchisor under this Agreement which may result in termination of this Agreement pursuant to section 13.3 above. Also, if a party refuses to participate in the Settlement Conference or mediation within the respective time frames set forth in this section 14.1, the other party may immediately commence an arbitration proceeding pursuant to section 14.2 below.

(b) If the parties are unable to settle the Dispute at the Settlement Conference within 10 business days after the date the Settlement Conference took place (or should have taken place), Franchisee and Franchisor may submit the dispute to non-binding mediation conducted by and before a mediator who is a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law at a location in California mutually agreeable to both parties. If the Dispute is not referred to mediation within 10 business days after Settlement Conference took place (or should have taken place), the Dispute may be immediately submitted to binding resolution through arbitration proceedings pursuant to section 14.2 below. Any mediation proceedings should be completed within 60 days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter.

(c) Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation.

14.2 Arbitration.

(a) Except as specifically provided in sections 13.2(c) and 13.3(c) above, any Dispute between Franchisor (or its affiliated entities) and Franchisee (or its affiliated entities or Principal Equity Owners) not settled through the procedures described in section 14.1 above will be resolved through binding arbitration by JAMS, Inc. ("JAMS") in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than \$250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is \$250,000 or more), or if the parties in dispute agree, through binding arbitration by any other mutually acceptable arbitrator. It is explicitly agreed by each of the parties hereto no arbitration of any Dispute may be commenced except in accordance with this section 14.2.

(b) All hearings and other proceedings will take place at the JAMS business location in Los Angeles County, California, or if Franchisor so elects, at the JAMS business location nearest where Franchisee's (or an applicable Principal Equity Owner's) principal place of business is then located.

(c) Either party may present briefs and affidavits of witnesses who are unable to attend hearings. A limited amount of discovery is permitted within the discretion of the arbitrator. The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. If either party fails to appear or participate in the arbitration proceeding, the other party will be entitled to a default judgment award. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(d) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING ANY OTHER FRANCHISEES OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS OR REPRESENTATIVE ACTION. BY SIGNING BELOW, FRANCHISEE EXPRESSLY AGREES TO WAIVE ANY SUBSTANTIVE OR PROCEDURAL RIGHTS IT MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(e) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ALL RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ANOTHER PARTY. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST A PARTY.

(f) This arbitration provision is deemed to be self-executing. The provisions of this section 14.2 are intended to benefit and bind certain third-party non-signatories and will remain in full force and effect after (and notwithstanding) the expiration, termination or nonrenewal of this Agreement.

(g) This section 14.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with applicable law.

[Franchisor's Initials: _____ Franchisee's Initials: _____]

14.3 Injunctive Relief.

A party has the right in a situation where there is an imminent threat of harm to the legal rights of that party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in California, without the necessity of posting any bond and without the necessity of first complying with sections 14.1 and 14.2 above, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of \$1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 14.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 14.1 or 14.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief under this section 14.3. Franchisee acknowledges its failure to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor or other affiliated persons or entities and Franchisor or Franchisor's affiliates may seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

14.4 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other "Expenses" (as defined in section 16.2(e) below) incurred by the prevailing party in bringing or defending such arbitration, action or proceeding and/or enforcing any resulting award or judgment (including without limitation

arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 14.4 is (i) intended to be expressly severable from the other provisions of this Agreement, (ii) intended to survive any judgment, and (iii) not to be deemed merged into the judgment.

14.5 Survival.

The terms of this Article XIV survive termination, expiration or cancellation of this Agreement.

XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

15.1 Franchisee's Obligations.

(a) In the event of termination, cancellation or expiration of this Agreement whether by reason of Franchisee's breach, default, non-renewal, lapse of time or other cause, in addition to any other obligations provided for in this Agreement, Franchisee must forthwith discontinue the use or display of the Marks in any manner whatsoever, and Franchisee may not thereafter operate or do business under the Marks or any other TAKAGI COFFEE brand or any other name or in any manner which might tend to give the general public the impression Franchisee is in any way associated or affiliated with Franchisor, the System, or any of the businesses conducted by Franchisor or the Owner of the Marks, including without limitation repainting the business premises in a distinctively different color and removing or rearranging distinctive elements of the Trade Dress. Franchisee must contact online review sites and other online directories and websites which have made reference to the Outlet during the 18 months prior to the date this Agreement terminates, is cancelled or expires, and request the removal of all use of the trademarks in connection with the former Outlet (and the physical address of the former Outlet) and all use of former reviews from the period Franchisee was a TAKAGI COFFEE franchisee. And, Franchisee also must comply with section 15.2 respecting the return to Franchisor of certain materials and must not thereafter use, in any manner, or for any purpose, directly or indirectly, any of the Proprietary Information, Confidential Information, Trade Secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including, without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, videodiscs, forms, advertising matter, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business.

(b) If there is a termination, cancellation or expiration as described in section 15.1(a) above, Franchisee must comply with section 11.2 of this Agreement respecting post-termination competition, and within five business days:

(i) remove at Franchisee's expense all signs erected or used by Franchisee and bearing the Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor;

(ii) erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by Franchisee the Marks and all words indicating that Franchisee is associated or affiliated with Franchisor;

(iii) permanently discontinue all advertising stating or implying Franchisee is associated or affiliated with Franchisor or the System (if Franchisee engages in any business thereafter, Franchisee must use trade names, service marks or trademarks that are significantly different from those under which Franchisee had done business and must use sign formats that are significantly different in color and type face; and take all necessary steps to ensure that Franchisee's present and former employees, agents, officers, shareholders and partners observe the foregoing obligations); and

(iv) assign all interest and right to use all telephone numbers and all telephone and social media listings applicable to the Outlet in use at the time of such termination to Franchisor and take all actions necessary to change all such telephone numbers immediately and change all such telephone and social media listings as soon as possible.

(c) If Franchisee fails or omits to make or cause to be made any removal or change described in section 15.1(b)(i) through 15.1(b)(iv) above, then Franchisor will have the right within 15 days after written notice to enter the Outlet or other premises from which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at Franchisee's expense, which expenses Franchisee agrees to pay to Franchisor promptly upon demand. Effective on the Termination Date, Franchisee hereby irrevocably appoints Franchisor as Franchisee's lawful attorney upon termination of this

Agreement with authority to file any document in the name of and on Franchisor's behalf for the purpose of terminating any and all of Franchisee's rights in any trade name Franchisee have used containing any of the Marks.

15.2 Franchisor's Rights as Franchisor.

(a) The termination, cancellation, expiration or assignment of this Agreement will be without prejudice to any rights of Franchisor against Franchisee and such termination, cancellation, expiration or assignment will not relieve Franchisee of any of Franchisee's obligations to Franchisor existing at the time of termination, cancellation, expiration or assignment or terminate those obligations of Franchisee which, by their nature, survive the termination, cancellation, expiration or assignment of this Agreement.

(b) As soon as practicable after the termination, expiration or non-renewal of this Agreement, Franchisor may direct all applicable vendors and suppliers to immediately cease providing Franchisee with inventory, supplies, equipment, marketing materials, email access, website access, accessories and other items comprising or to be used to provide TAKAGI COFFEE Products.

(c) On or immediately after the Termination Date, Franchisee is obligated to return, at no expense to Franchisor, all copies of the Confidential Operations Manual, all other TAKAGI COFFEE proprietary materials and any other items supplied by Franchisor for Franchisee's use in connection with the operation of the Franchised Business. Franchisee must also permanently erase anything relating to Franchisor or the Franchised Business from any computers and other media storage devices Franchisee retain after expiration, cancellation or termination of this Agreement.

(d) Within 30 days after the termination, expiration or non-renewal of this Agreement, Franchisor has the option, but not the obligation, to purchase all or any portion of Franchisee's reusable inventory, apparel containing the Marks, proprietary equipment, parts, fixtures and furnishings owned and used by Franchisee in Franchisee's franchised operation. Franchisor will be permitted to deduct and withdraw from the purchase price to be paid to Franchisee all sums then due and owing to Franchisor. The purchase price for Franchisee's inventory of apparel containing the Marks will be at Franchisee's cost for said items. The purchase price for the proprietary equipment, parts, fixtures and furnishings will be the fair market value thereof as Franchisee and Franchisor mutually determine. In determining the fair market value of such items, Franchisee and Franchisor agree to exclude any factor or increment for goodwill or going concern value. The purchase price to be paid to Franchisee will be paid in cash at the closing of any purchase. The closing will occur no less than 30 days from the date Franchisor exercises its option to purchase unless Franchisee and Franchisor are unable to agree on the fair market value of the assets to be purchased. If Franchisee and Franchisor are unable to reach agreement within a reasonable time as to the fair market value of the items Franchisor has agreed to purchase, Franchisor will designate an independent appraiser, and the appraiser's determination will be binding. Franchisee and Franchisor must each pay 50% of the fee charged by the independent appraiser.

XVI. GENERAL TERMS AND PROVISIONS

16.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement must be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable courier service, for delivery on the next available business day and addressed as follows:

(i) If to Franchisor:

SUNPARK USA, INC.
21250 Hawthorne Boulevard, Suite 500
TORRANCE, CA 90504
Phone: 808-383-6514

(ii) If to Franchisee:

Phone:

(b) Unless previously delivered in person by an agent of the sending party, notices between Franchisee and Franchisor will be deemed given three business days after deposit with a reliable courier service, properly addressed and marked for delivery on the next available business day.

(c) Any change in the addresses listed in section 16.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable courier service or in person by an agent of the sending party.

(d) Any notices sent to Franchisee which include a statement of intent to terminate or not renew the Franchise must provide (i) the reasons why and (ii) the effective date of such termination or expiration.

16.2 Indemnity.

(a) Franchisee hereby agrees to protect, defend and indemnify Franchisor, and all of Franchisor's past, present and future owners, affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold them harmless from and against any and all Losses arising out of or in connection with any "Proceeding" (as defined in section 16.2(f) below) concerning Franchisee's intentional tort or gross negligence, or the intentional tort or gross negligence of Franchisee's agents, servants or representatives, relating to Franchisee's development, maintenance or operation of the Outlet and the Franchised Business, except if caused by Franchisor's intentional misfeasance, gross negligence or material breach of any terms of, or Franchisor's obligations arising under, this Agreement.

(b) Franchisor hereby agrees to protect, defend and indemnify Franchisee, its Principal Equity Owners, other owners, affiliates, officers, directors, employees and attorneys and each of them, from any Losses any of them may incur as a result of any third party Proceeding arising out of Franchisor's intentional misfeasance, gross negligence or material breach of Franchisor's obligations under this Agreement, except if caused by the intentional misfeasance of, gross negligence of, or material breach by, Franchisee (or any of its Principal Equity Owners, or other owners, affiliates, officers, directors, employees or attorneys of Franchisee) of any terms of, or Franchisee's obligations arising under, this Agreement.

(c) In order for the indemnification to be effective, each indemnified party ("Indemnified Party") will give the indemnifying party ("Indemnifying Party") reasonable notice of each claim or loss for which the Indemnified Party demands indemnity and defense, except that failure to provide such notice will not release the Indemnifying Party from any obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure. The Indemnifying Party will assume, at its sole cost and expense, the defense of such Proceeding through legal counsel reasonably acceptable to the Indemnified Party, except that the Indemnified Party may at its option and expense select and be represented by separate counsel. The Indemnifying Party will have control over the Proceeding, including the right to settle in its reasonable discretion (but only if the settlement includes a full release of all claims against the Indemnified Party), and provided further, the Indemnifying Party will not, absent the written consent of the Indemnified Party, consent to the entry of any judgment or enter into any settlement that: (i) provides for any admission of liability on the part of the Indemnified Party or relief other than the payment of monetary damages for which the Indemnifying Party will be solely liable; or (ii) adversely affects the rights of the Indemnified Party under this Agreement, or (iii) does not release the Indemnified Party from all Proceedings and "Losses" (as defined in section 16.2(d) below) in respect thereof. In no event will the Indemnified Party be liable for any Losses that are compromised or settled in violation of this section 16.2. The Indemnifying Party's duty to defend is independent of its duty to indemnify. Each indemnified party must submit all its claims to its insurers in a timely manner. Any payments made by an indemnified party will be net of benefits received by any indemnified party from insurance coverage respecting such claims.

(d) The term "Losses" means, refers to, and includes all "Expenses" (as defined in section 16.2(e) below), liabilities, obligations, losses, fines, penalties, costs, or damages including all reasonable out of pocket fees and disbursements of legal counsel in the investigation or defense of any of the same or in asserting any party's respective rights hereunder but excluding punitive damages (unless resulting from third party claims).

(e) The term "Expenses" means, refers to, and includes, all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding casts, telephone charges, postage, delivery service fees and all other disbursements or expenses of the 'types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses will also include Expenses incurred in connection with any appeal

resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreements, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent.

(f) The term "Proceeding" means, refers to, and includes any threatened pending or completed suit, claim, demand, action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether civil, criminal, administrative or investigative.

(g) The indemnification provided in this section 16.2 is a continuing right and will survive the expiration or termination of this Agreement. The parties hereto further acknowledge and agree that they intend the indemnification provided in this section 16.2 to be interpreted and enforced in a manner providing the fullest extent of indemnification to the Indemnified Party now or hereafter permitted by law.

16.3 Franchisee's Relationship to Franchisor as Franchisee.

(a) It is expressly agreed by the parties they intend by this Agreement to establish between themselves the relationship of franchisee and franchisor. It is further agreed neither Franchisee nor any Principal Equity Owner has the authority to create or assume in Franchisor's name or on Franchisor's behalf, any obligation, express or implied, or to act or purport to act as agent or representative on Franchisor's behalf for any purpose whatsoever. Neither Franchisee (nor any Principal Equity Owner) nor Franchisor is the employer, employee, agent, partner, fiduciary or co-venturer of or with the other, each being independent. Franchisee agrees that neither it nor any Principal Equity Owner will hold itself out as Franchisor's agent, employee, partner or co-venturer, or as the Owner of the Marks.

(b) All employees or agents hired or engaged by or working for Franchisee will be only the employees or agents of Franchisee and will not for any purpose be deemed employees or agents of Franchisor or the Owner of the Marks, nor subject to Franchisor's control; and in particular, Franchisor will have no authority to exercise control over the hiring or termination of these employees, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the Marks. Franchisee agrees to (i) file all necessary tax, regulatory and payroll reports concerning its employees, agents and operations and (ii) indemnify Franchisor from any liability arising from Franchisee's employees, independent contractors, or others who work for Franchisee.

16.4 No Third-Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than financing sources to whom Franchisor may have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise.

16.5 Survival of Covenants.

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration, termination, cancellation or assignment of this Agreement will be enforceable notwithstanding said expiration, termination, cancellation or assignment.

16.6 Successors and Assigns.

Subject to restrictions on Assignment by Franchisee contained herein, this Agreement is binding upon Franchisor and Franchisee and inures to the benefit of their respective successors and assigns.

16.7 Joint and Several Liabilities.

If the entity which is the franchisee under this Agreement consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several.

16.8 Titles for Convenience Only.

Section titles used in this Agreement are for convenience only and do not affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

16.9 Gender.

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section may require.

16.10 Severability; Partial Invalidity.

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between (i) any provisions of this Agreement or the Confidential Operations Manual and (ii) any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement or the Confidential Operations Manual thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement or the Confidential Operations Manual is held to be indefinite, invalid or otherwise unenforceable, that specific language will be deemed deleted but the remaining parts thereof will continue in full force and effect.

16.11 Counterparts.

This Agreement may be executed in multiple copies, each of which will be deemed to be an original, and all of which together will be deemed to be one and the same instrument.

16.12 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws.

(a) Franchisee certifies that neither Franchisee nor any Principal Equity Owner or employee of Franchisee, nor any other person who is associated with Franchisee, is listed in the Annex to Executive Order 13224 (available at <http://treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>). Franchisee covenants not to hire or have any dealings with a person listed in the Annex. Franchisee certifies it has no knowledge or information which, if generally known, would result in Franchisee, the Principal Equity Owners, employees or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee and each of the Principal Equity Owners will comply with, and assist Franchisor as much as possible in, Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and each of the Principal Equity Owners certify, represent and warrant that none of Franchisee's respective property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and the Principal Equity Owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws. Franchisee specifically acknowledges and agrees Franchisee's indemnification responsibilities as provided in this Agreement pertain to Franchisee's obligations under this section 16.12. Any misrepresentation by Franchisee under this section 16.12 or any violation of the Anti-Terrorism Laws by Franchisee, any of the Principal Equity Owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement Franchisee executed with Franchisor or one of Franchisor's Affiliates. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and any other requirements of any United States governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(b) Neither Franchisee nor any Principal Equity Owner conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under any applicable Anti-Terror Legislation.

(c) Neither Franchisee nor any Principal Equity Owner nor any other employee of Franchisee is named as a "Specially Designated National" or "Blocked Person" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control and published at www.treas.gov/offices/enforcement/ofac/sdn/. Franchisee acknowledges it is not directly or indirectly owned or controlled by the government of any country subject to an embargo by the United States of America, and neither Franchisee nor any Principal Equity Owner acts directly or indirectly on behalf of the government of any country subject to an embargo by the United States of America. Franchisee agrees Franchisee will notify Franchisor in writing immediately of the occurrence of any event rendering any of the foregoing representations and warranties of this section 16.12 incorrect.

[Franchisee's Initials: _____]

16.13 Governing Law.

The Federal Arbitration Act (9 U.S.C. §1 *et seq.*) governs the arbitration of disputes under this Agreement. Otherwise, the laws of the state where the Outlet is located govern this Agreement and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing

law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

16.14 Entire Agreement.

(a) The parties to this Agreement each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement and the Confidential Operations Manual. Recognizing the costs on all parties which attend uncertainty, the signatories to this Agreement each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings (which have been or may in the future be exchanged between them) serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, the signatories each agree and promise each other that this Agreement, the Confidential Operations Manual, and the representations made by Franchisor in the TAKAGI COFFEE franchise disclosure document ("FDD") that was provided to Franchisee, supersede and cancel any prior or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements, understandings or any other term), by any of the parties or by anyone acting on their behalf, with respect to the rights and obligations of the parties to this Agreement or the relationship between them. Each signatory to this Agreement agrees and promises the other that they have placed, and will place, no reliance on any such discussions or writings.

(b) In accordance with the foregoing section 16.14(a), the parties to this Agreement agree that this Agreement (together with the Confidential Operations Manual) constitutes the entire agreement between the parties and contain all terms, conditions, rights and obligations of the parties with respect to the franchised business contemplated by this Agreement and any other aspect of the relationship between the parties. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations Franchisor made in the FDD that Franchisor furnished to Franchisee.

(c) This Agreement cannot be modified or changed except by written instrument signed by all parties hereto.

XVII. EFFECTIVENESS OF AGREEMENT

This Agreement will become effective upon the execution hereof by Franchisor and Franchisee. HOWEVER, THIS AGREEMENT IS NOT BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY FRANCHISOR.

XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS

18.1 Acknowledgments and Representations.

(a) Franchisee hereby represents and warrants that all statements in this sections 18.1 are true and accurate.

(b) Franchisee does not seek to obtain the Franchise for speculative or investment purposes and has no present intention to sell or transfer or attempt to sell or transfer the Franchised Business or the Franchise within 12 months after the Opening Date.

(c) Franchisee understands and acknowledges the value to the System of uniform and ethical standards of quality, appearance and service described in and required by this Agreement and the necessity of operating the Franchised Business under the standards set forth herein. Franchisee represents it has the capabilities, professionally, financially and otherwise, to comply with Franchisor's standards.

(d) If Franchisee is an entity, Franchisee is duly organized and qualified to do business in the state and any other applicable jurisdiction within which the Outlet is located.

(e) Franchisee's execution of this Agreement will not constitute or violate any other agreement or commitment to which Franchisee is a party.

(f) Any individual executing this Agreement on Franchisee's behalf is duly authorized to do so and the Agreement constitutes a valid and binding obligation of Franchisee's.

(g) Franchisee (i) has carefully read this Agreement and all other related documents to be executed by Franchisee concurrently or in conjunction with the execution hereof, (ii) has conducted an independent investigation of the business contemplated by this Agreement, (iii) has obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, (iv) understands the nature of this Agreement, and (v) intends to comply herewith and be bound hereby. Franchisee also recognizes the Franchise involves significant risks, making the success of the Franchised Business at the Outlet largely dependent on Franchisee's abilities, attention, and consistent and regular participation in the operation of the Franchised Business at the Outlet. Franchisor expressly disclaims the making of, and Franchisee agrees Franchisee has not received or relied on, any representation or warranty from Franchisor regarding the likelihood of Franchisee's success at the Outlet or in Franchisee's operating the Franchised Business.

(h) In entering into this Agreement, Franchisee has not relied on any representation by Franchisor, or any of Franchisor's officers, managers, directors, partners, shareholders, employees or agents, concerning the Franchised Business contrary to (i) the terms of this Agreement, (ii) the documents incorporated into this Agreement (or attached to it), or (iii) or the FDD that was provided to Franchisee.

(i) Franchisee agrees complete and detailed uniformity among Franchisor's franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agrees that Franchisor, its sole discretion, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. Franchisee further agrees Franchisor will have no obligation to disclose or offer the same or similar variances to Franchisee. Franchisee is aware that other System franchisees may operate under different agreements and, consequently, that Franchisor's obligations and rights as to those franchisees may differ materially in certain circumstances.

(j) Franchisee received an FDD and a copy of this Agreement at least 15 calendar days before it signed this Agreement.

(k) Franchisee made no payment to Franchisor before Franchisee signed this Agreement.

(l) Franchisee acknowledges in operating the System, Franchisor must consider the needs of the System as a whole, and the need to protect the Marks, even if Franchisor's actions are contrary to Franchisee's individual interests as a franchisee.

18.2 Additional Information Respecting Franchisee and Franchisee's Principal Equity Owners.

(a) Franchisee must fully complete the schedule containing complete information regarding Franchisee's Principal Equity Owners which is attached as Exhibit 2 of this Agreement.

(b) The address (written notice of any change in this information after the Effective Date must be delivered to Franchisor pursuant to section 16.1 hereof) where Franchisee's financial and other records are maintained is either [] the same address as provided in section 16.1 hereof, or [] the following address:

_____.

18.3 Statement of Policy.

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

IN WITNESS WHEREOF, and each signatory being jointly and severally liable, the parties hereto executed this Agreement as of the Effective Date.

FRANCHISEE:

By: _____

[PRINTED NAME AND TITLE]

FRANCHISOR:

SUNPARK USA, INC.

By: _____

[PRINTED NAME AND TITLE]

List of Exhibits to Franchise Agreement:

Exhibit 1 – Territory and Location of Outlet

Exhibit 2 – Names and Addresses of Principal Equity Owners

Exhibit 3 – Guarantee of Franchise Agreement

EXHIBIT 1 - TERRITORY AND LOCATION OF OUTLET

The Territory is either ☐ a radius of ____ miles around the Outlet or ☐ the geographical area surrounding the Outlet as depicted in a map attached to this Exhibit 1. So long as Franchisee continues to fulfill its material obligations under this Agreement (as reasonably determined by Franchisor), Franchisor will not grant a TAKAGI COFFEE franchise to any other person, nor will Franchisor or any of its affiliated entities operate an Outlet, within Franchisee's Territory. However, Franchisee's Outlet may face competition from other franchisees, from Outlets that Franchisor owns outside the Territory, or from other channels of distribution or competitive brands that Franchisor controls.

The Outlet is located at:

(If the address of the Outlet is unknown when this Agreement is signed, when the address is determined, it will be inserted later into the space above or added by addendum attached to this Exhibit 1.)

EXHIBIT 2 - NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS

If Franchisee is an entity, list below the names, residential addresses and respective percentage equity ownership interests of each Principal Equity Owner:

1. _____ %
2. _____ %
3. _____ %
4. _____ %
5. _____ %

EXHIBIT 3 - GUARANTEE OF FRANCHISE AGREEMENT

In consideration of the execution by Franchisor of the Franchise Agreement (the "Franchise Agreement") dated _____, 20 ____ between TAKAGI COFFEE International USA, Inc. ("Franchisor") and

_____ ("Franchisee") and for other good and valuable consideration, each of the undersigned "Principal Equity Owners" (as defined in the Franchise Agreement), and their spouses (if applicable), for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor.

If more than one person has executed this Guarantee of Franchise Agreement ("Guarantee"), the term "the undersigned", as used herein, refers to each such person, and the liability of each of the undersigned hereunder will be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor.

The undersigned further hereby agree that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (i) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Franchisee, and the undersigned do guarantee and promise to perform all the obligations of Franchisee under the Agreement as so amended, compromised, released or altered; (ii) any guarantor of or party to the Franchise Agreement may be released, substituted or added; (iii) any right or remedy under the Agreement, this Guarantee or any other instrument or agreement between Franchisor and Franchisee may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (iv) Franchisor or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned.

Notice to or demand upon Franchisee or any of the undersigned will be deemed notice to or demand upon Franchisee and all the undersigned, and no notice or demand need be made to or upon any of the undersigned. The cessation of or release from liability of Franchisee or any of the undersigned will not relieve any other guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Franchisee, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, related to the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, will not modify or amend this Guarantee, which will be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee inure to the benefit of the Franchisor, its successors and assigns. This Guarantee may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

The Lanham Act (15 U.S.C. §1051 et seq.) governs any issue involving Franchisor's proprietary trademarks. To the extent applicable, the laws of the state where the Store is located govern all issues involving modification of this Guarantee while it is in effect. Otherwise, this Guarantee and the legal relations among the parties hereto will be governed by and construed in accordance with the laws of the State of California. Nothing in this Guarantee is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of California or any other state, which would not otherwise apply.

Any litigation arising out of or related to this Guarantee will be instituted exclusively in the Superior Court of the State of California, County of Los Angeles or the United States District Court for the Central District of California. Guarantors hereby waive and covenant never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*). Guarantors further hereby waive and covenant never to assert or claim that such courts lack personal jurisdiction over Guarantors. In the event both such courts lack jurisdiction to enter any requested injunctive relief, an action or proceeding requesting such relief may be brought before any court having jurisdiction to grant such relief.

Should any one or more provisions of this Guarantee be determined to be illegal or unenforceable, all other provisions will nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the Franchise Agreement.

PRINCIPAL EQUITY OWNERS

SPOUSES OF PRINCIPAL EQUITY OWNERS
(if applicable)

X _____

X _____

Printed Name of Principal Equity Owner

Printed Name of Spouse

X _____

X _____

Printed Name of Principal Equity Owner

Printed Name of Spouse

X _____

X _____

Printed Name of Principal Equity Owner

Printed Name of Spouse

X _____

X _____

Printed Name of Principal Equity Owner

Printed Name of Spouse

X _____

X _____

Printed Name of Principal Equity Owner

Printed Name of Spouse

Sunpark USA, Inc.

AREA DEVELOPMENT AGREEMENT

EXHIBIT C

TABLE OF CONTENTS

I. GRANT OF RIGHTS TO OPEN ADDITIONAL OUTLETS	1
1.1 Additional Outlets.	1
1.2 Franchise Agreements.	1
1.3 Term.	1
1.4 Effect of Expiration.	2
1.5 No Subfranchising Rights.	2
II. DEVELOPMENT OBLIGATIONS	2
2.1 Development Obligations.	2
2.2 Timing of Execution of Leases and Franchise Agreements.	2
2.3 Force Majeure.	2
2.4 Termination of Agreement and Limited Additional Development Rights.	3
III. DEVELOPMENT FEE	3
3.1 Development Fee.	3
3.2 Franchise Agreements for Additional Outlets.	3
IV. TRANSFER OR ASSIGNMENT	4
4.1 Assignability.	4
4.2 Transfers from Franchisee to an Affiliated Entity.	4
V. NON-COMPETITION	4
5.1 Restriction on Competitive Activities.	4
5.2 Website and Unauthorized Advertising.	4
VI. DEFAULT AND TERMINATION	4
6.1 General.	4
6.2 Operation of Opened Outlets after Termination or Expiration.	4
VII. DISPUTE RESOLUTION	4
7.1 Initial Steps to Resolve a Dispute; Mediation.	4
7.2 Arbitration.	5
7.3 Injunctive Relief.	6
7.4 Legal Fees and Expenses.	6
7.5 Survival.	6
VIII. NOTICES	6
8.1 Notices.	6
IX. GENERAL TERMS AND PROVISIONS	7
9.1 Governing Law.	7
9.2 Modification.	7
9.3 Waiver and Delay.	7
9.4 Severability; Partial Invalidity.	7
9.5 Titles for Convenience Only.	7
9.6 No Third-Party Beneficiaries.	7
9.7 Survival of Covenants.	8
9.8 Successors and Assigns.	8
9.9 Counterparts.	8
9.10 Entire Agreement.	8
EXHIBIT 1 - DEVELOPMENT SCHEDULE	8

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("Agreement") is made on _____, 20__ (the "Effective Date") by and between SUNPAR USA, Inc., doing business as "TAKAGI COFFEE" ("Franchisor"), and _____ ("Franchisee").

Franchisor is the franchisor of the TAKAGI COFFEE franchise system. Franchisee (or its affiliated entity) is concurrently executing a Franchise Agreement with Franchisor, under the terms of which Franchisee is being granted a right to open and operate a quick serve restaurant that Franchisor has consented to ("Outlet"), providing "TAKAGI COFFEE Products" (as defined in the Franchise Agreement) to retail customers, under the TAKAGI COFFEE trademarks and in accordance with the TAKAGI COFFEE business format.

In consideration of the mutual promises, covenants, agreements and conditions contained in this Agreement, and other good and valuable consideration, Franchisee and Franchisor hereby agree as follows.

I. GRANT OF RIGHTS TO OPEN ADDITIONAL OUTLETS

1.1 Additional Outlets.

(a) Subject to the terms and conditions contained herein, Franchisor hereby grants to Franchisee the right, and Franchisee hereby agrees to establish and operate itself or through affiliated entities additional Outlets in accordance with the schedule of openings attached hereto as Exhibit 1 (the "Development Schedule").

(b) So long as Franchisee's obligations under the Development Schedule are being met on a timely basis and until this Agreement expires or terminates, Franchisor will not itself, nor allow any other TAKAGI COFFEE licensee or franchisee to, operate an Outlet within the geographical area (the "Development Area") indicated in the Development Schedule.

(c) Franchisee's rights to open and operate Outlets under this Agreement do not extend to a "Non-Traditional Venues (defined as a business operated under the "TAKAGI COFFEE" marks that is located within another primary business or in conjunction with other businesses or at institutional settings, toll roads, casinos, stadiums, airports, colleges and universities, schools, hospitals, military and other governmental facilities, office facilities, and any site for which the lessor, owner or operator thereof has indicated its intent to prefer or limit the operation of its facilities to a master concessionaire or contract service provider).

(d) If Franchisor becomes insolvent or declares bankruptcy or is no longer authorized to offer and sell franchises in Franchisee's state because of a lapse of applicable franchise registration or other reason, Franchisee will continue to have the right to operate under this Agreement until and unless a court issues an order otherwise.

1.2 Franchise Agreements.

(a) When Franchisee opens an additional Outlet under the Development Schedule, Franchisee must enter into Franchisor's then current form of Franchise Agreement for that additional Outlet (provided that the economic terms, specifically royalty and advertising fees, of such Franchise Agreements for the additional Outlet will not change from the economic terms of this Agreement). So long as Franchisee is in good standing under this Agreement, Franchisee will continue to have the right to open and operate Outlets in the Development Area in accordance with the Development Schedule.

(b) Each Franchise Agreement executed pursuant hereto will provide that Franchisor and its affiliates may not open or operate, or franchise or license the operation of, any other Outlet within the "Territory" of the Outlet (an area surrounding the Outlet defined in the Franchise Agreement) opened by Franchisee (or its affiliated entity) pursuant to such Franchise Agreement.

1.3 Term.

The term of this Agreement commences on the Effective Date and, unless sooner terminated by Franchisee's material breach hereof, will continue until Franchisee has opened all Outlets to be developed in accordance with the Development Schedule, at which time this Agreement will expire and terminate. There will be no extensions or renewal periods relating to the Development Schedule unless done so in writing.

Notwithstanding the above, Franchisee may terminate this Agreement upon 30 days advance written notice to Franchisor. Upon termination of this Agreement, Franchisee will no longer have the right to open future Outlets under the Development Schedule.

1.4 Effect of Expiration.

Unless an additional development right has been agreed to in writing pursuant to section 2.4 hereof and a restated or revised Development Schedule has been initialed by Franchisor and Franchisee, upon the expiration or termination of this Agreement, Franchisee will have no further exclusive right to construct, equip, own, open or operate additional Outlets in the Development Area that are not, at the time of such termination or expiration, the subject of an existing Franchise Agreement between Franchisee (or its affiliate) and Franchisor which is then in full force and effect.

1.5 No Subfranchising Rights.

Franchisee does not have the right under this Agreement to execute subfranchised TAKAGI COFFEE franchise agreements with anyone.

II. DEVELOPMENT OBLIGATIONS

2.1 Development Obligations.

(a) Franchisee must construct, equip and open each additional Outlet not later than the date specified in Exhibit 1 applicable to the Outlet, and thereafter continue to operate the Outlet, or assign it with Franchisor's consent to another TAKAGI COFFEE franchisee.

(b) Any Outlet developed hereunder that is open and operating and which has been assigned to an affiliate of Franchisee or to another TAKAGI COFFEE franchisee with Franchisor's consent will continue to be considered as partial satisfaction of Franchisee's obligations under the Development Schedule for so long as the assignee remains in good standing under the Franchise Agreement relating to that Outlet.

2.2 Timing of Execution of Leases and Franchise Agreements.

(a) Notwithstanding anything to the contrary contained herein, on or before the date that is 90 days before the date an Outlet is required to be opened, Franchisee (or its affiliated entity) must execute a Franchise Agreement and lease for the Outlet and pay the balance of the Initial Franchise Fee due under the Franchise Agreement for that Outlet.

(b) Regarding the location, equipping, opening and operation of an additional Outlet that Franchisee (or its affiliated entity) is opening under the Development Schedule, Franchisee (or its affiliated entity) must comply with the Franchise Agreement that is applicable to that Outlet.

2.3 Force Majeure.

(a) The term "*Force Majeure*" means natural disasters (such as tornadoes, earthquakes, hurricanes, floods, fires or other natural catastrophes); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which Franchisee could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by any federal, state, county, municipal and local governmental and quasi-governmental agency, commission or authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, or other person will be a *Force Majeure*, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act that is otherwise a *Force Majeure*. For example, Franchisee's financial inability to perform or its insolvency will not be a *Force Majeure* hereunder.

(b) Subject to Franchisee's continuing compliance with section 2.3(c) below, should Franchisee be unable to meet its development obligation for a scheduled additional Outlet solely as the result of a *Force Majeure* that results in Franchisee's inability to construct or operate the Outlets pursuant to the terms of this Agreement, the date on which the scheduled additional Outlet is to be opened will be extended by an amount of time equal to the time during which the *Force Majeure* exists.

(c) If Franchisee experiences a *Force Majeure*, Franchisee must notify Franchisor in writing within 10 business days following commencement of the alleged *Force Majeure* of the specific nature and extent of the *Force Majeure*, and how it has impacted Franchisee's performance hereunder. Franchisee must continue to provide Franchisor with updates and all information as Franchisor may request, including Franchisee's progress and diligence in responding to and overcoming the *Force Majeure*.

(d) Franchisor will not be liable to Franchisee for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Franchisee by reason of any conduct not due to Franchisor's gross negligence or intentional misfeasance.

2.4 Termination of Agreement and Limited Additional Development Rights.

(a) Once Franchisee opens all additional Outlets specified in the Development Schedule, unless a new Development Schedule is agreed to by the parties, this Agreement will automatically terminate. However, all rights under Franchise Agreements Franchisee (or its affiliated entity) executed for the additional Outlets that are open remain in full force and effect. If Franchisee desires to engage in further development of additional Outlets in excess of the obligations committed to under the Development Schedule, Franchisee must at the earlier of (i) 180 days prior to the scheduled expiration of the term hereof or (ii) the date on which acceptance of the proposed site for the last Outlet required to meet the Development Schedule is issued, notify Franchisor in writing of Franchisee's desire to develop additional Outlets and present Franchisee's plan for such development over a new term, setting forth the number of proposed Outlets and the deadlines for the development of each of them within such proposed term. Franchisor has the sole discretion to determine whether such additional development in the Development Area is desirable, and if Franchisor agrees to allow Franchisee to develop additional Outlets, such additional development will be subject to the conditions set forth in section 2.4(b) below. Otherwise, the development rights granted under this Agreement may not be extended.

(b) Franchisee's rights to additional development described in this section 2.4 are subject to Franchisee's fulfillment of the following conditions:

(i) Franchisee (and each of its affiliates that have developed or operate Outlets) must have fully performed all their obligations under this Agreement and all other agreements between Franchisee (or the applicable affiliate) and Franchisor.

(ii) Franchisee must have demonstrated to Franchisor its financial capacity to perform the additional development obligations set forth in any restated or revised Development Schedule. In determining if Franchisee has enough financial capacity, Franchisor will apply the same criteria to Franchisee as Franchisor applies to prospective TAKAGI COFFEE area developers at that time.

(iii) Franchisee and Franchisor must agree to, and initial, a restated or revised Development Schedule.

III. DEVELOPMENT FEE

3.1 Development Fee.

(a) When Franchisee signs this Agreement, in addition to the \$30,000 Initial Franchise Fee paid by Franchisee under the Franchise Agreement for the first Outlet, Franchisee must pay Franchisor a "Development Fee" for Franchisor granting Franchisee the exclusive right to open additional Outlets within the Development Area pursuant to the Development Schedule.

(b) The Development Fee is an aggregate of reduced Initial Franchise Fees for additional Outlets committed to be opened by Franchisee, as follows: \$20,000 for each of additional Outlets to be opened pursuant to the Development Schedule. The Development Fee is not refundable.

3.2 Franchise Agreements for Additional Outlets.

Each additional Outlet to be opened pursuant to the Development Schedule will require execution by Franchisee (or its affiliated entity) and Franchisor of a separate Franchise Agreement (using Franchisor's then current form thereof) granting Franchisee (or its affiliated entity) the right to operate that additional

Outlet, with a full credit to be applied against the Initial Franchise Fee due under each applicable Franchise Agreement.

IV. TRANSFER OR ASSIGNMENT

4.1 Assignability.

Franchisor has executed this Agreement in reliance upon and in consideration of the unique personal qualifications, trust and confidence that Franchisor reposes in Franchisee. Accordingly, although Franchisee may assign individual Franchise Agreements, Franchisee may not assign this Agreement except as provided in Section 4.2 below.

4.2 Transfers from Franchisee to an Affiliated Entity.

Upon not less than 30 days' prior written notice to Franchisor, Franchisee may at any time without Franchisor's consent, assign and transfer this Agreement to an entity that is (i) organized to operate as a developer of additional Outlets and (ii) entirely owned by Franchisee. Any assignment and transfer to an affiliated entity must be evidenced by a written instrument, in form reasonably satisfactory to Franchisor, under the terms of which said business entity expressly assumes all of Franchisee's obligations hereunder, whether accrued at the time of such assignment or arising thereafter, and the assignee agrees to be bound by all the terms and provisions of this Agreement to the same extent and in the same manner as Franchisee is bound. A copy of said instrument, executed by both Franchisee and said business entity must be delivered to Franchisor before the effective date of the transfer.

V. NON-COMPETITION

5.1 Restriction on Competitive Activities.

During the term of this Agreement and for two years after this Agreement expires or is terminated, Franchisee and each of its owners of 20% or more equity interest in Franchise (in such context, "Principal Equity Owners") must comply with the non-competition covenants contained in the last effective Franchise Agreement executed by Franchisee (or its affiliated entity) and Franchisor.

5.2 Website and Unauthorized Advertising.

During the term of this Agreement, neither Franchisee nor any Principal Equity Owner may establish a website or register an Internet domain name using, or otherwise advertise on the Internet or anywhere else, the trademark "TAKAGI COFFEE", or any combination or derivations thereof, or similar marks, or any other trademark of Franchisor, except as specifically authorized by Franchisor in writing.

VI. DEFAULT AND TERMINATION

6.1 General.

In addition to a termination pursuant to section 2.4 above, this Agreement may be terminated by Franchisor if Franchisee (i) fails to substantially comply with any obligation, duty or promise under this Agreement, including failure to open an Outlet within the time specified in the Development Schedule, after being given a notice of default and reasonable opportunity to cure the default (no more than 30 days), or (ii) is in material breach of any Franchise Agreement that Franchisee (or its affiliated entity) executed with Franchisor.

6.2 Operation of Opened Outlets after Termination or Expiration.

If this Agreement expires or is terminated, Franchisee (or its affiliated entities) will be able to maintain ownership and operation of the Outlets that Franchisee or its affiliated entities have developed so long as Franchisee (or its affiliated entity) is not in material breach of the applicable Franchise Agreements; however, Franchisee (or its affiliated entity) will forfeit (i) any further exclusive rights under the Development Schedule and this Agreement, and (ii) any rights to have a credit applied against the Initial Franchise Fee for Outlets that were not developed.

VII. DISPUTE RESOLUTION

7.1 Initial Steps to Resolve a Dispute; Mediation.

(a) Franchisor and Franchisee have entered into a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, in light of the overall best interests of the System, as contemplated by this Agreement. To that end, Franchisor and Franchisee jointly acknowledge that they need to attempt to resolve

disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communication between Franchisor and Franchisee are important aspects of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, "Dispute") by first having Franchisor's executive officers and Franchisee's Principal Equity Owners meet at Franchisor's principal executive office in person (but without their respective legal counsel) within five business days after a party notifies the other party that a Dispute has arisen to conduct a good faith discussion and negotiation of the issues ("Settlement Conference") with a view to resolving the dispute.

(b) If Franchisor and Franchisee are unable to settle the Dispute at the Settlement Conference or no Settlement Conference takes place, then 10 business days after the date the Settlement Conference took place (or should have taken place), Franchisee and Franchisor may submit the dispute to non-binding mediation conducted by a mutually agreeable mediator who is a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law, at a location in California that is mutually agreeable to both parties. If the Dispute is not referred to mediation within 10 business days after the Settlement Conference took place (or should have taken place), the Dispute may be immediately submitted to binding resolution through arbitration proceedings pursuant to section 17.2 below. Any mediation proceeding should be completed within 60 days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter.

(c) Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission because of its use in the mediation. The fees charged by a mediator and any other related fees and costs will be divided equally between the parties.

7.2 Arbitration.

(a) Any Dispute between Franchisor (or its affiliated entities) and Franchisee (or its Principal Equity Owners or affiliated entities) that is not settled through the procedures described in section 7.1 above will be resolved through binding arbitration by and before JAMS, Inc. ("JAMS"), in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than \$250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is \$250,000 or more), or if the parties in dispute agree, through binding arbitration by any other mutually acceptable arbitrator. It is explicitly agreed by each of the parties hereto that no arbitration of any Dispute may be commenced except in accordance with this section 7.2.

(b) All hearings and other proceedings will take place at the JAMS business location in Los Angeles County, California, or if Franchisor so elects, at the JAMS business location nearest where Franchisee's (or an applicable Principal Equity Owner's) principal place of business is then located.

(c) Either party may present briefs and affidavits of witnesses who are unable to attend hearings. Otherwise, no affidavits, interrogatories, depositions or other discovery is permitted. The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. If either party fails to appear or participate in the arbitration proceeding, the other party will be entitled to a default judgment award. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(d) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING ANY OTHER FRANCHISEES OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE

AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS OR REPRESENTATIVE ACTION. BY SIGNING BELOW, FRANCHISEE EXPRESSLY AGREES TO WAIVE ANY SUBSTANTIVE OR PROCEDURAL RIGHTS IT MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(e) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY.

(f) This arbitration provision is deemed to be self-executing. The provisions of this section 7.2 are intended to benefit and bind certain third-party non-signatories and will remain in full force and effect after (and notwithstanding) the expiration, termination or nonrenewal of this Agreement.

(g) This section 7.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Franchisor's Initials: _____ Franchisee's Initials: _____]

7.3 Injunctive Relief.

Either party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in California, without the necessity of first complying with sections 7.1 and 7.2 above or posting any bond, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of \$1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 7.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 7.1 or 7.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief under this section 7.3. Franchisee acknowledges that its failure to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor (and its other affiliated persons or entities) and Franchisor or its affiliates are empowered to seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

7.4 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 7.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

7.5 Survival.

The terms of this Article VII will survive termination, expiration or cancellation of this Agreement.

VIII. NOTICES

8.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement will be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to Franchisor, to:

SUNPARK USA, INC.
21250 Hawthorne Boulevard, STE 500
TORRANCE, CA 90503
Phone: 808-383-6514

(ii) If to Franchisee, to:

Phone: _____

(b) Notices between Franchisee and Franchisor will be deemed given the earlier of (i) the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day or (ii) when delivered in person by an agent of the sending party.

(c) Any change in the addresses listed in section 8.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier or delivered in person.

IX. GENERAL TERMS AND PROVISIONS

9.1 Governing Law.

The Federal Arbitration Act (9 U.S.C. §1 *et seq.*) governs the arbitration of disputes under this Agreement. Otherwise, the laws of the state where the Development Area is located govern this Agreement, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

9.2 Modification.

This Agreement cannot be modified or changed except by a written document signed by all parties hereto.

9.3 Waiver and Delay.

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal or neglect by Franchisor either to exercise any of its rights hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement, constitutes a waiver of the provisions of this Agreement with respect to any subsequent breach thereof, or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

9.4 Severability; Partial Invalidity.

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be deemed appropriately modified, and the remaining parts thereof will continue in full force and effect.

9.5 Titles for Convenience Only.

Section titles used in this Agreement are for convenience only and will not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

9.6 No Third-Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than financing sources to whom Franchisor has granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder by so-called "third party beneficiary rights" or otherwise.

9.7 Survival of Covenants.

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

9.8 Successors and Assigns.

Subject to restrictions on assignment by Franchisee contained herein, this Agreement is binding upon Franchisor and Franchisee and inures to the benefit of their respective successors and assigns.

9.9 Counterparts.

This Agreement may be executed in multiple copies, each of which will be deemed to be an original, and all of which together will be deemed to be one and the same instrument.

9.10 Entire Agreement.

(a) The parties to this Agreement agree that this Agreement (including the Development Schedule) constitutes the entire agreement between the parties and contains all terms, conditions, rights and obligations of the parties under this Agreement and relating to any other aspect of the relationship between the parties. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations made in the TAKAGI COFFEE franchise disclosure document that was provided to Franchisee. No other agreements oral or otherwise will be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. Franchisee acknowledges that it executed this Agreement without reliance upon any unauthorized representation or promise.

(b) This Agreement cannot be modified or changed except by written instrument signed by all the parties hereto.

IN WITNESS WHEREOF, the parties executed this Agreement as of the Effective Date.

FRANCHISEE:

FRANCHISOR:

SUNPARK USA, INC.

By: _____

[PRINTED NAME AND TITLE]

By: _____

[PRINTED NAME AND TITLE]

EXHIBIT 1 - DEVELOPMENT SCHEDULE

The initial Outlet (or Outlet 1) is to be opened and operated under the concurrently signed Franchise Agreement. Additional Outlets will be opened at sites that Franchisor reviews and consents to, all of which will be located in the "Development Area" described either [] in the map immediately following this Exhibit 1 or [] as follows:

Franchisee must open (and thereafter maintain) Outlets in accordance with the following schedule (if more than five Outlets are committed to be opened, the schedule will be expanded appropriately):

NUMBER OF OUTLET	DATE BY WHICH OUTLET MUST BE OPENED
1	
2	
3	
4	
5	

Franchisor may defer a scheduled opening date in the table above if Franchisor determines, in its sole discretion, Franchisee made a diligent effort to open an Outlet according to the schedule but was unable to do so for reasons beyond its reasonable control.

Sunpark USA, Inc.

LIST OF FRANCHISE OUTLETS

EXHIBIT D

LIST OF FRANCHISE OUTLETS

As of July 31, 2023, no franchised outlets were open and operating and no franchisee had signed a franchise agreement but not yet opened.

Sunpark USA, Inc.

LIST OF TERMINATED FRANCHISES

LIST OF TERMINATED FRANCHISES

No franchisee had an outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during the 12 months ending July 31, 2023.

No franchisee has failed to communicate with us within the 10 weeks ending on the date of this disclosure document.

Sunpark USA, Inc.

**STATE FRANCHISE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

EXHIBIT F

STATE FRANCHISE ADMINISTRATORS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration and oversight of franchises in these states:

California:

Commissioner of the Department
of Financial Protection and Innovation
2101 Arena Boulevard
Sacramento, CA 95834
(916) 445-7205

Hawaii:

Commissioner of Securities,
Dept. of Commerce and Consumer
Affairs, Business Registration Div.,
Securities Compliance Branch
335 Merchant St., Rm. 203
Honolulu, HI 96813-2921
(808) 586-2722

Illinois:

Office of the Attorney General
Franchise Division
500 S. 2nd St.
Springfield, IL 62701-1771
(217) 782-4465

Indiana:

Indiana Securities Division
Franchise Section
302 W. Washington St., Rm. E111
Indianapolis, IN 46204-2738
(317) 232-6681

Maryland:

Office of the Attorney General
Division of Securities
200 Saint Paul Pl.
Baltimore, MD 21202-2020
(410) 576-6360

Michigan:

Michigan Attorney General
Consumer Protection Division
PO Box 30213
Lansing, MI 48909-7713
(517) 373-7117

Minnesota:

Commissioner of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN 55101-3165
(651) 539-1600

New York:

NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st Flr.
New York, NY 10005-1495
(212) 416-8222

North Dakota:

Securities Department
600 E. Boulevard Ave., 5th. Flr.
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island:

Dept. of Business Regulations
Division of Securities
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920-4407
(401) 462-9527

South Dakota:

Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501-3168
(605) 773-3563

Virginia:

State Corporation Commission
Div. of Securities & Retail Franchising
1300 E. Main St., 9th Flr.
Richmond, VA 23219-3630
(804) 371-9051

Washington:

Dept. of Financial Institutions
Securities Division
150 Israel Rd. SW
Tumwater, WA 98501-6456
(360) 902-8760

Wisconsin:

Securities Division
201 W. Washington Ave., Ste. 300
Madison, WI 53703-2640
(608) 266-8557

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. If we register the franchise (or otherwise comply with the franchise investment laws) in any of these states, we will designate the following state offices or officials as our agents for service of process in those states:

California:

California Commissioner of the
Department of Financial Protection and Innovation
2101 Arena Boulevard
Sacramento, CA 95834
(916) 445-7205

Hawaii:

Hawaii Commissioner of Securities,
Dept. of Commerce and Consumer
Affairs, Business Registration Div.
335 Merchant St., Rm. 205
Honolulu, HI 96813
(808) 586-2744

Illinois:

Illinois Attorney General
500 S. 2nd St.
Springfield, IL 62701
(217) 782-4465

Indiana:

Indiana Secretary of State
200 W. Washington St., Rm. 201
Indianapolis, IN 46204
(317) 232-6681

Maryland:

Maryland Securities Commissioner
200 Saint Paul Pl.
Baltimore, MD 21202
(410) 576-6360

Michigan:

Michigan Corporation & Securities Bureau
Department of Commerce
6546 Mercantile Way
Lansing, MI 48911
(517) 373-7117

Minnesota:

Minnesota Commissioner of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN 55101
(651) 539-1600

New York:

New York Secretary of State
One Commerce Plaza
99 Washington Ave., 6th Flr.
Albany, NY 12231-0001
(518) 473-2492

North Dakota:

North Dakota Securities Commissioner
600 E. Boulevard Ave., 5th. Flr.
Bismarck, ND 58505
(701) 328-4712

Rhode Island:

Director, Rhode Island Department of
Business Regulations
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota:

Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501-3168
(605) 773-3563

Virginia:

Clerk, Virginia State Corporation Commission
1300 E. Main St., 1st Flr.
Richmond, VA 23219
(804) 371-9733

Washington:

Dept. of Financial Institutions
Securities Division – 3rd Flr.
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin:

Administrator, Wisconsin
Division of Securities
201 W. Washington Ave.
Madison, WI 53703
(608) 261-9555

Sunpark USA, Inc.

REGISTRATION OF FRANCHISES IN OTHER STATES

EXHIBIT G

REGISTRATION OF FRANCHISES IN OTHER STATES

1. This proposed registration is effective in all states not requiring franchise registration and in the following states requiring franchise registration or notification:

None

2. This proposed registration (or one substantially similar) is or will be shortly on file in:

New York
California

3. No states have refused, by order or otherwise, to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

Sunpark USA, Inc.

**CONDITIONAL ASSIGNMENT OF TELEPHONE
AND DIRECTORY LISTING**

EXHIBIT H

Exhibit H to TAKAGI COFFEE Franchise Disclosure Document

CONDITIONAL ASSIGNMENT

_____ ("you") operate your franchise business at _____. In consideration of the granting of a franchise to you and other valuable consideration given by **SUNPARK USA, INC.** a California corporation ("us"), you assign to us all business telephone numbers; business telephone and internet listings; website addresses and domain names; and business email addresses you use in the operation of the franchise. We will hold this assignment and will deliver it to interested third parties only upon termination of the Franchise Agreement between us and you dated _____.

DATED this ____ day of _____, 20____.

("we/us"): **SUNPARK USA, INC.**

By: _____

Title: _____

(Jointly and severally "you"): _____

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

Name of Corporation/LLC/Partnership: _____

By: _____

Title: _____

Sunpark USA, Inc.

**Abandonment, Relinquish, & Termination of
Assumed Fictitious Business Name**

EXHIBIT I

Exhibit I to TAKAGI COFFEE Franchise Disclosure Document

**TAKAGI COFFEE FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME**

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **SUNPARK USA, INC.**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name "**TAKAGI COFFEE**":

1. Name of Applicant who is Using the
Assumed or Fictitious Business Name:

a(an) individual/partnership/corporation organized
and doing business under the laws of the State of

2. Date When Original Assumed or Fictitious Business
Name was filed by Applicant:

3. Address of Applicant's Registered Office in the
State of: _____

4. Please cancel the Applicant's registration to use
the name **TAKAGI COFFEE**.

DATED: _____

Applicant

By: _____

Title: _____

Sunpark USA, Inc.

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

EXHIBIT J

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

SUNPARK USA, INC.
21250 Hawthorne Boulevard, Suite 500
Torrance, California 90503
1-808-383-6514

I (we) hereby authorize SUNPARK USA, INC. (the “Company”) to initiate Electronic Funds Transfer charges to my (our) bank account (indicated below) for payment of my (our) Royalty and Advertising fees owed by me (us) to the Company. This Authorization will remain in full force and effect until Company receives written confirmation of termination of this Authorization via certified letter.

Financial Institution Name: _____

Account Number: _____

Branch Name: _____

Address: _____

City:_____ State:_____ ZIP:_____

I further certify that I have received a copy of the Authorization for my files.

Individual Name: _____

Corporate Name: _____

TAKAGI COFFEE Franchise: _____

By:_____

Title:_____

Effective Date:_____

Please attach a voided blank check for verification purposes.

[VOIDED CHECK]

Sunpark USA, Inc.

FORM OF GENERAL RELEASE

EXHIBIT K

FORM OF GENERAL RELEASE

The Franchise Agreement provides that the franchisee must sign a General Release in a form satisfactory to the franchisor in certain circumstances, such as upon transfer or renewal of the franchise. Following is a form of General Release that is subject to change.

FORM OF GENERAL RELEASE

This General Release Agreement ("Agreement") is made this ____ day of _____, 20____. It is among Sunpark USA, Inc. ("Franchisor"), _____ and _____ (jointly and severally "Franchisee") and _____ and _____ (jointly and severally "Transferee").

RECITALS

On or about ____ day of _____, 20____, Franchisor and Franchisee entered into an TAKAGI COFFEE Franchise Agreement (the "Franchise Agreement[s]") for the operation of an TAKAGI COFFEE franchise at the following location:
_____.

[NOTE: Describe the circumstances relating to the release, such as circumstances related to transfer or renewal of the franchise and relevant agreement dates.]

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

[1. Renewal of Franchise Agreement. The parties covenant and agree:

1. The Franchise Agreement, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties is terminated. The provisions of the Franchise Agreement concerning your obligations upon termination and renewal will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

2. Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms. These forms may vary materially from the Franchise Agreement. Fees will be set at the currently prevailing rates and terms. The Franchise Premises must remain at the location designated in the Franchise Agreement unless we otherwise approve in writing.

3. You will reimburse us for the following reasonable out-of-pocket costs we incur concerning the renewal:
_____.

4. You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the current Operations Manual and System. This includes:
_____.

5. You or your designated manager will attend and successfully complete the following retraining programs at your expense, including travel, meals, lodging, and our current training fee of \$_____:_____.

[1. Franchise Transfer. The Parties covenant and agree:

A. The Franchise Agreement between Franchisor and Franchisee, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties are terminated, as between them. The provisions of the Franchise Agreement concerning the obligations of Franchisee upon termination and transfer will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Transferee agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreements as if Transferee had been named as the original franchisee in the Franchise Agreement. Transferee will execute all documents Franchisor or Franchisee may reasonably require to complete the transfer and assumption of the Franchise Agreements,

including but not limited to execution of a new franchise contract in the form currently being used by Franchisor. The new franchise contract may contain economic and general terms which are materially different from those contained in the Franchise Agreement.

C. Franchisor enters into this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of Transferee.

D. All obligations of Franchisee in connection with the Franchise Agreement and the franchise are assumed by the Transferee. Franchisee will remain bound by its covenants in the Franchise Agreements that neither it nor its owners, officers, partners, or other persons enumerated in the Franchise Agreement will disclose confidential information nor compete with Franchisor or Franchisor's franchisees.

E. [All now ascertained or liquidated debts in connection with the franchise have been paid by Franchisee.] [Franchisee owes \$--- in current obligations and will owe additional funds for franchise fees, advertising fees, and product purchases through the closing of this transfer transaction. Franchisee will pay all sums due to Franchisor and to product suppliers within 10 days of the relevant invoice or due date. All other now ascertained or liquidated debts in connection with the franchises have been paid by Franchisee.]

F. Franchisee is not in default in any way under the Franchise Agreement or any other agreement between it and Franchisor.

G. Transferee will pay for and complete to Franchisor's exclusive satisfaction the training programs now required of new franchisees. [Transferee has completed to Franchisor's satisfaction the training programs now required of new franchisees.] [Transferee has demonstrated to Franchisor's satisfaction sufficient ability to successfully operate the franchise]. Franchisee or Transferee have submitted to Franchisor, upon execution of this Agreement, a Transfer Fee in the amount of \$---. Franchisor acknowledges receipt of this Fee in consideration for Franchisor's legal, accounting, credit check, training and investigation expenses incurred as a result of this transfer. [In addition, Franchisee has paid to Franchisor, contemporaneous with execution of this Agreement, a __ percent commission on the gross transfer price (excluding the price of real property), in the amount of \$___. Franchisor acknowledges receipt of this amount in consideration for having obtained Transferee for Franchisee.]

H. Transferee has met the standards established by Franchisor for quality of character, financial capacity and experience required of a new or renewing TAKAGI COFFEE franchisee. Franchisee and Transferee have provided to Franchisor such information as Franchisor reasonably requested to evidence that Transferee meets these standards.

I. The lessor or sublessor of the Franchise Premises has consented to the assignment or sublease of the Franchise Premises to Transferee.

J. Franchisee and Transferee agree to subordinate to Transferee's obligations to Franchisor (including, without limitation, the payment of all franchise fees) any obligations of Transferee to Franchisee.

K. Transferee will assume possession and control of the equipment, furnishings, signs, supplies, inventory, advance paid deposits and other personal property and fixtures located on the Franchise Premises, except as follows:

L. Franchisee will properly operate the franchises and maintain the Franchise Premises in clean and proper working order and will continue the employment of all current employees until Transferee assumes control of the businesses and [relocates] the Franchise Premises.

M. Franchisee will maintain a sufficient inventory and sufficient supplies on hand to provide for normal business operations through the second day after Transferee assumes control of the businesses and the Franchise Premises, except as follows:

N. Transferee agrees to place orders with product suppliers to maintain the inventory and supply levels following the closing of this transaction.

O. Franchisee and Transferee have entered into this Agreement for the transfer of Franchisee's rights under the Franchise Agreements after their own independent investigation. The transfer of the franchise rights and the amount of consideration for them have been determined by them independently. Franchisee and Transferee acknowledge that they have not relied upon any representation, warranty, promise or other consideration from or by Franchisor in entering into this Agreement or in evaluating the advisability of the transfer or the value of the franchises, any of the franchise rights or the franchise locations.

P. Transferee will refurbish and remodel the Franchise Premises, and will refurbish, remodel and/or replace the fixtures, equipment and signage to conform to the current Operations Manual and System within 90 days of transfer. This includes: _____.]

[NOTE: The following Section 2 is for franchise transfers but not for franchise renewals:]

2. Franchisee to Cease Using Trade Names, Marks, and Logos. Upon completion of the transfer, Franchisee will immediately cease using Franchisor's trade names, service marks, logos, and other marks, symbols or materials indicating that Franchisee is or was related to Franchisor in any way, except as otherwise provided in writing. Franchisee acknowledges that all such names, service marks, logos, and symbols are the exclusive property of Franchisor and that Franchisee has been allowed to use them, only in conjunction with the franchise relationship as outlined in this Agreement. Franchisee will remain jointly and severally bound to comply with the covenants in the Franchise Agreement which expressly or by reasonable implication are intended to apply to Franchisee after termination of the Franchise Agreement, including any applicable non-disclosure requirements. Franchisee will:

- A. deliver to Transferee or Franchisor all copies of the Operations Manuals, training materials, and any other franchise-related materials in Franchisee's custody, control or possession (or destroy such materials if requested by Franchisor);
- B. take action as required to transfer to Transferee all registrations relating to the use of all assumed names;
- C. notify the telephone company and all listing agencies of the transfer of Franchisee's rights to use the franchise names and logos and classified and directory listings of the franchise;
- D. cease use of the franchise trademarks, service marks, trade names, copyrights, and other intellectual or intangible property;
- E. refrain from doing business in any way that might tend to give the public the impression that Franchisee still is or was a franchisee in the franchise system;]

3. Communication of Confidential Information. Neither Franchisee nor its owners, officers, directors, or other persons enumerated in the Franchise Agreements will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreement, the substance of the TAKAGI COFFEE franchise operations manuals, or any other nonpublic information related to the operation of the TAKAGI COFFEE franchise system. Franchisee represents and warrants that neither it nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. Franchisee will continue to comply with all the confidentiality requirements of the Franchise Agreements.

[Nothing contained in this Agreement will preclude Franchisor or Franchisee from disclosing the fact of this Agreement or the amount paid by Transferee to Franchisor or to Franchisee.]

4. Release.

A. General. In consideration of the covenants and understandings set forth in this Agreement, Franchisee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents ("Released Parties") from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties and

out of any other action or relationship between the parties, or any of the Released Parties, arising prior to the date of this Agreement (except provisions in the Franchise Agreement concerning Franchisee's obligations upon termination).

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.

Franchisee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising directly or indirectly out of the Franchise Agreement and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.

[In consideration of the covenants and understandings set forth in this Agreement, Transferee does release and discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of Transferee's existing franchise or license agreement(s) with us and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

Transferee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against Franchisor, known or unknown, arising directly or indirectly out of Transferee's existing franchise or license agreement(s) with us and the relationship between the parties through the date of this Agreement, including, but not limited to, economic loss.]

B. Waiver of Statute. This release is intended to waive, release and discharge all claims against Franchisor, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

The parties, with the advice of legal counsel, waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

5. Indemnification. Franchisee, for themselves and their heirs, successors, representatives, assigns, subsidiaries, divisions, and agents and each of them, agree to indemnify and hold harmless Franchisor and its affiliates, subsidiaries, divisions, successors, assigns, officers, directors, employees and agents and each of them against any liabilities, losses, damages, deficiencies, claims, costs, expenses, actions, suits, proceedings, investigations, demands, assessments, judgments, and costs of any nature resulting, directly or indirectly, from the operation of the franchise by Franchisee or Franchisee's agents or employees.

6. Miscellaneous Provisions.

A. Entire Agreement. This writing is the entire agreement between the parties and may not be modified or amended except by written agreement signed by the parties.

B. Joint and Several Liability. If Franchisee consists of more than one individual or entity, then their liability under this Agreement will be joint and several.

C. Waiver. No waiver of any covenant or breach of this Agreement will be a waiver of any subsequent breach of the same or any other covenant or authorize the subsequent breach of any covenant or condition.

D. Time of Essence. Time is of the essence of this Agreement.

E. Injunctive Relief. In addition to other remedies available at law or in equity, any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement.

F. Dispute Resolution. If a dispute arises, before taking any other legal action, the parties agree to participate in at least four hours of mediation in Redondo Beach, California in accordance with the mediation procedures of Arbitration Service of Redondo Beach, Inc. or of any similar organization that specializes in the mediation of commercial business disputes. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

G. Costs and Attorneys' Fees. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its arbitration and court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

H. Governing Law. This Agreement is accepted in the State of California and will be governed by the laws of California, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of the California franchise or business opportunity laws (if any). Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of California, will be construed and enforced according to the laws of that state. All issues or disagreements relating to this Agreement, will be tried, heard, and decided in Redondo Beach, California.

I. Successors and Assigns. This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.

J. Legal Representation. The parties acknowledge they have been represented by counsel and have been advised of the significance and ramifications of executing this Agreement.

K. Counterparts. This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all of which, together, will constitute one and the same instrument.

[7. Effective Date. The effective date of this Agreement shall be the date the last party signs.]

[SIGNATURES APPEAR ON THE FOLLOWING PAGE.]

IN WITNESS WHEREOF, the parties have executed this Agreement.

"Franchisor": Sunpark USA, Inc.

By (Signature): _____

Printed Name: _____

Title: _____

"Franchisee":

By: _____
_____, an individual

By: _____
_____, an individual

[ENTITY NAME]

By (Signature): _____

Printed Name: _____

Title: _____

Instructions for signatures (above) for “Franchisee” and “Transferee”: If you are a corporation, limited liability company or other business entity, then this Agreement should be signed by a company officer or owner authorized to sign on behalf of the company. Additionally, this Agreement must be signed by all officers and owners of the company as individuals.

Sunpark USA, Inc.

PERSONAL GUARANTEE

EXHIBIT L

PERSONAL GUARANTY AGREEMENT

THIS PERSONAL GUARANTY AGREEMENT (this “**Guaranty**”) is given this _____ day of _____, 20____, by _____, jointly and severally (collectively, the “**Guarantors**”).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (including its exhibits) of even date (the “**Agreement**”) by SUNPARK USA, INC., an California corporation (the “**Franchisor**”), with _____ a _____ corporation (the “**Franchisee**”), each of the undersigned personally and unconditionally (a) guarantees to the Franchisor, and its successor and assigns, for the term of the Agreement (including any renewal terms) and as provided in the Agreement, that the Franchisee will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement and its exhibits, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including but not limited to the provisions related to confidentiality and non-disclosure of confidential information, non-competition, monetary obligations, dispute resolution, and indemnification.

Each of the undersigned waives: (1) acceptance and notice of acceptance by the Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right the undersigned may otherwise have to require that an action be brought against the Franchisee or any other person as a condition of liability.

Each of the undersigned consents and agrees that: (1) the direct and immediate liability of the undersigned under this guaranty is joint and several; (2) the undersigned will render any payment or performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so; (3) the liability of each of the undersigned is not contingent or conditioned upon pursuit by the Franchisor of any remedies against the Franchisee or any other person (including others of the undersigned); and (4) the liability of each of the undersigned will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which the Franchisor may grant to the Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each of the undersigned Guarantors further consents and agrees that:

1. Each Guarantor’s liability under this undertaking is direct, immediate, and independent of the liability of, and is joint and several with, the Franchisee and the other owners of the Franchisee.
2. Each Guarantor will render any payment or performance required under the Franchise Agreement upon demand if the Franchisee fails or refuses punctually to do so.
3. This Guarantee will continue unchanged by the occurrence of any bankruptcy with respect to the Franchisee or any assignee or successor of the Franchisee or by any abandonment of the Franchise Agreement by a trustee of the Franchisee. Neither the Guarantor’s obligations to make payment or render performance in accordance with the terms of this Guarantee nor any remedy for the

enforcement of this Guarantee will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of the Franchisee or its estate in bankruptcy or of any remedy for the enforcement of this Guarantee, resulting from the operation of any present or future provision of the U.S. Bankruptcy Code or other statute, or from the decision of any court or agency.

4. The Franchisor may proceed against one or more Guarantors and the Franchisee jointly and severally, or the Franchisor may, at its option, proceed against one or more Guarantors, without having commenced any action, or having obtained any judgment, against the Franchisee. Each Guarantor waives the defense of the statute of limitations in any action under this Guarantee or for the collection of any indebtedness or the performance of any obligation guaranteed by this Guarantee.

5. Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of amounts due pursuant to this Guarantee or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

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

GUARANTOR(S):	PERCENTAGE OWNERSHIP IN FRANCHISEE:
Signed: _____ Print Name: _____	_____ %
Signed: _____ Print Name: _____	_____ %
Signed: _____ Print Name: _____	_____ %

Sunpark USA, Inc.

SBA FRANCHISE AGREEMENT ADDENDUM

EXHIBIT M

Exhibit M to TAKAGI COFFEE Franchise Disclosure Document

This Addendum is for use only with franchisees that are getting Small Business Administration (SBA) lender financing.

This Addendum is subject to change based on requirements that the SBA may impose.



ADDENDUM TO FRANCHISE¹ AGREEMENT

THIS ADDENDUM (“Addendum”) is made and entered into on _____, 20____, by and between _____ (“Franchisor”), located at _____, and _____ (“Franchisee”), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20____, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional

¹ While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (FTC’s) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

renewals) for fair market value.

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

Authorized Representative of FRANCHISOR:

By: _____

Print Name: _____

Title: _____

Authorized Representative of FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements

Sunpark USA, Inc.

STATE AND PROVINCIAL LAW ADDENDUM

EXHIBIT N

**FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT
STATE LAW ADDENDUM**

California

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

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 AT LEAST 14 DAYS PRIOR TO THE EXECUTION OF AGREEMENT.

Our website address is www.majicurry.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.

California Corporations Code Section 31512.1- Franchise Agreement Provisions Void as Contrary to Public Policy:

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.

****** In light of the foregoing, please delete “No statement, questionnaire” language for CA franchisees.

Principal Equity Owners and spouses must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse’s marital and personal assets at risk, perhaps including your house, if your franchise fails.

If selling alcoholic beverages, mandatory compliance with the California Department of Alcohol Beverage Control laws pertaining to the sale and consumption of alcoholic beverages related to the franchisor’s business. Franchisee must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations for the sale of alcoholic beverages.

FDD Item 17, FA Sections 5, 6, 7 and 9

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

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

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

(4) You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

(5) The Franchise Agreement provides that all issues or disagreements relating to the Franchise Agreement will be mediated, arbitrated, tried, heard and decided in California with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

(6) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner of the Department of Financial Protection and Innovation may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

FDD Item 3

Response to California 10 CCR Section 310.114.1(c)(3): Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

FDD Item 6; Franchise Agreement Section 4.7

Late payment penalties and late charges will not exceed California's legal limit on interest rates, which is currently 10% annually.

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW

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

If, for any reason, any provision set forth in the Franchise Agreement (including those related to in-term and post-term covenants against competition and non-disclosure and non-use of confidential information) exceeds any lawful scope or limit as to duration, geographic coverage, specificity, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. Indeed, the parties acknowledge their desire and intent that a court or arbitrator to comply with Georgia law if needed modify such provisions. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

Idaho

FDD Item 17, FA Section 9

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

New York

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an

action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**: You may terminate the agreement on any grounds available by law.

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

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

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

Washington

FDD Item 17; FA Section 6 and 7

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer Fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

FDD Item 5

In Washington, persons who receive financial incentives to refer franchise prospects to us (if applicable) may be required to register as franchise brokers under relevant laws of the State of Washington.

Acknowledgment

The franchisee acknowledges receipt of this Addendum.

It is agreed that the applicable foregoing state/provincial law addendum for the state/province of _____, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State and Provincial Law Addendum provisions for the relevant state/province, have been agreed to at the time the Franchise Agreement was signed, to the extent that they are valid requirements of an applicable, effective, and enforceable state law. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's or province's franchise laws, without considering this addendum.

DATED this ____ day of _____, 20__.

("we/us"): SUNPARK USA, INC.

("you"):

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**BRITISH COLUMBIA, CANADA ADDENDUM
TO
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

The following modifications and additions are part of the franchise disclosure document ("**FDD**") and Franchise Agreement ("**FA**") for franchises to be operated in the province of British Columbia, Canada. References in this Addendum to the "**Act**" mean the British Columbia Franchises Act. References in this Addendum to the "**Regulation**" mean the British Columbia Franchises Regulation.

U.S. Currency

All references to monetary amounts in the franchise disclosure documents and related agreements are in U.S. dollars. All payments to be made by franchisee to us or our affiliates under the franchise agreement are to be made in U.S. currency.

Terminology

Since there are no "attorneys" in Canada (but rather "barristers", "solicitors" and "lawyers") the term "attorneys' fees" in the FDD and FA is replaced with "legal fees."

Repatriation of Funds and Withholding Taxes

Franchisee agrees to pay any withholding taxes imposed on franchise fees, royalties, and interest payable to the franchisor. Upon request by the franchisor, franchisee will provide the franchisor with copies of receipts (or other suitable documentation) from the tax authorities. The franchisee agrees to take all reasonable steps to assist the franchisor in obtaining any tax credits arising from such withholding taxes that are available to the franchisor.

Provincial Laws

Provisions in the FDD and FA that require you to comply with applicable local, state and/or federal laws shall include provincial laws.

Dispute Resolution

Item 17 of the FDD contains a description of restrictions or requirements imposed by the franchise agreement with respect to arbitration, mediation or other alternative dispute resolution processes, including requirements relating to the location or venue of such a process. The FDD and FA do not limit section 12 [*attempt to affect jurisdiction void*] of the Act.

Financial Statements

The franchisor's audited financial statements are referenced in Item 21 of the FDD and attached as Exhibit A to the FDD.

Part 1 – Required Information about the Franchise

Business Background of Franchisor

The business background for the franchisor is found in Item 1 of the FDD. The franchisor does not have an attorney for service in British Columbia.

The number of franchises granted by the franchisor to franchisees during the 5-year period immediately preceding the date of the disclosure document is disclosed in Item 20 of the FDD and supplemented as follows: N/A.

Business Background of Directors, Officers and General Partners

The business background of the directors, the officers and the general partners of the franchisor is found in Item 2 of the FDD. In addition, following is an additional brief description of the prior relevant business experience of each person (to the extent not already covered in Item 2): N/A.

Previous Convictions and Pending Charges

During the 10-year period immediately preceding the date of this disclosure document, none of the following were convicted of fraud, unfair or deceptive business practices or a violation of a law that regulates franchises or business, and there is no charge pending against any such person involving such a matter: the franchisor, the franchisor's associate or a director, an officer or a general partner of the franchisor.

Administrative Orders and Proceedings

During the 10-year period immediately preceding the date of this disclosure document, none of the following were subject to an administrative order or penalty under a law that regulates franchises or business, or the subject of any pending administrative actions to be heard under such a law: the franchisor, the franchisor's associate or a director, an officer or a general partner of the franchisor.

Civil Proceedings

During the 10-year period immediately preceding the date of this disclosure document, none of the following were found liable in a civil action for misrepresentation, engaging in unfair or deceptive business practices or violating a law that regulates franchises or business, including a failure to provide proper disclosure to a franchisee, and there is no civil action involving such allegations pending against any such person: the franchisor, the franchisor's associate or a director, an officer or a general partner of the franchisor.

Bankruptcy

No bankruptcy or insolvency proceedings, voluntary or otherwise, took place during the 6-year period immediately preceding the date of this disclosure document, in which the debtor was

- (a) the franchisor or the franchisor's associate,
- (b) a corporation whose directors or officers include a current director, officer or general partner of the franchisor, or included such a person at a time when the bankruptcy or insolvency proceeding was taking place,
- (c) a partnership whose general partners include a current director, officer or general partner of the franchisor, or included such a person at a time when the bankruptcy or insolvency proceeding was taking place, or
- (d) a director, an officer or a general partner of the franchisor in his or her personal capacity.

Part 2 – Required Information about the Franchise

Costs of Establishing the Franchise

Estimated costs of establishing the franchise are disclosed in Item 7 of the FDD. Initial franchise fees and other required payments to the franchisor or its affiliates and related information are disclosed in Item 5 of the FDD.

Other Fees

The nature and amount of any recurring or isolated fees or payments are disclosed in Item 6 of the FDD.

Guarantees and Security Interests

If each of your owners do not sign the Franchise Agreement as direct parties, then each of your owners must sign the Personal Guaranty attached to the Franchise Agreement.

One of the terms that applies to your purchase of products from us or our affiliate(s) is that you grant to us a security interest in the products and proceeds as security for your obligations under the Franchise Agreement. You agree that we may prepare and file all instruments or documents necessary to perfect any security interest, including a UCC Financing Statement. Upon request, you will execute and file such instruments or documents as needed. You acknowledge that we may file a copy of the Franchise Agreement as a financing statement for that purpose. (See Franchise Agreement, Section 5.13(H)).

Estimate of Operating Costs

The FDD does not include an estimate of annual operating costs for the franchise, or of operating costs for the franchise for another regular period, except for estimated costs during the initial start-up phase of the business as described in Item 7 of the FDD and as disclosed in Item 19 of the FDD, if applicable.

If applicable, Items 7 and 19 disclose the assumptions and bases underlying the estimate. If applicable, information that substantiates the estimate is available for inspection at the franchisor's main offices.

Earnings Projection

The FDD does not provide an earnings projection for the franchise, except as provided in Item 19 of the FDD, if applicable. If applicable, information that substantiates the estimate is available for inspection at the franchisor's main offices.

Financing

We do not provide direct or indirect financing and do not assist in providing financing for you. We do not guarantee any notes or financial obligations. (See Item 10 of the FDD).

Training

See Item 11 of the FDD for a description of training offered to the franchisee by or on behalf of the franchisor.

Manuals

The franchisee will be required to operate in accordance with manuals provided by the franchisor. See Item 11 of the FDD (or an exhibit referenced therein) for the table of contents of each manual.

Advertising

See Item 11 for a description of the advertising fund to which you must contribute. We may spend up to 15% of the fund for the administration of the fund. We administer the fund through individuals listed in Item 2 of the FDD and our staff.

Purchase and Sale Restrictions

See Items 8, 12 and 16 of the FDD for a description of restrictions and requirements imposed by the Franchise Agreement with respect to:

- (a) obligations to purchase or lease from the franchisor or the franchisor's affiliate or from suppliers approved by the franchisor or the franchisor's affiliate,
- (b) the goods and services the franchisee may sell, and
- (c) to whom or by what means the franchisee may sell goods or services.

Rebates, Commissions, Payments or Other Benefits

See Item 11 of the FDD for a description of the franchisor's policies and practices regarding rebates, commissions, payments or other benefits, including

- (a) the receipt, if any, by the franchisor or the franchisor's affiliate of a rebate, commission, payment or other benefit as a result of purchases of goods and services by franchisees, and
- (b) whether rebates, commissions, payments or other benefits are shared with franchisees either directly or indirectly.

Territory

See Item 12 of the FDD for a description of territorial rights and protections and related disclosures. Our President, disclosed in Item 2 of the FDD, is the person by whom the franchisee's rights to the territory will be determined.

Trademarks and Other Proprietary Rights

See Item 13 of the FDD for a description of the rights the franchisor has to the trademark, trade name, logo or advertising or other commercial symbol associated with the franchise.

Licences, Registrations, Authorizations and Other Permissions

See Item 1 of the FDD and the following disclosure for a list of licences, registrations, authorizations and other permissions the franchisee will or may be required to obtain under federal or provincial laws to operate the franchise. Depending on the income or structure of the business, the necessary permits, licenses, authorizations or other permissions may differ. In addition to those identified in Item 1 and below, you may be required under other federal or provincial laws or under the by-laws of a municipal or other local authority to obtain licences, registrations, authorizations or other permissions to operate the franchise, and you should make inquiries to

determine whether such licenses, registrations, authorizations or other permissions are required. It is your responsibility to acquire them.

Licenses Required for Franchised Business from a Leased Location	
Development Permit	Apply to municipality in which franchised business is located, required to ensure zoning and development bylaws are complied with
Building Permit	Apply to municipality in which franchised business is located, required to ensure building code requirements are complied with
Sign Permit	Apply to municipality in which franchised business is located, required to ensure sign bylaws are complied with
Licenses Required for Operation of Franchised Business	
Federal Business Identification Number for Source Deduction of Taxes, Canada Pension Plan (CPP) and Employment Insurance (EI)	Apply to Canada Revenue Agency; required for mandatory deductions for tax, CPP and EI payments for employees
Federal Goods and Services Tax (GST) Registration Number	Apply to Canada Revenue Agency; required for mandatory payment of goods and services tax for federal government
Provincial Employer Health Tax Registration Number	Apply to provincial Ministry of Finance; required for mandatory health coverage for employees (note that an exemption may be available)
Provincial Corporations Tax Number	Apply to the Ministry of Finance; required to file your provincial corporate tax return
Provincial Sales Tax Vendor's Permit	Apply to provincial Ministry of Finance (Retail Sales Tax Office); required in order to be exempt from paying provincial retail sales tax on purchases made for goods acquired for the franchised business
Provincial Workplace Safety and Insurance Coverage	Apply to provincial Worker's Safety and Insurance Office; required in order to obtain mandatory insurance coverage required for employees
Provincial Business Name Registration	Apply to the local office of the Ministry responsible for business name registrations
Municipal Business License	Apply to municipality in which franchised business is located; required to carry on business
Provincial Health and Safety – First Aid	Apply to the local office of the Ministry responsible for health and safety
Liquor	Contact the British Columbia Liquor Distribution Branch (LDB) and Liquor Control and Licensing Branch (LCLB) for more information

You should be aware of federal and provincial labor regulations, including minimum age and minimum wage laws as they relate to the management of your franchised business. The details of provincial and local laws and regulations vary from place to place. You must research these matters at your own expense, and assume all responsibility for compliance, as well as all risk of non-compliance.

Personal Participation

See Item 15 of the FDD.

Termination, Renewal and Transfer of the Franchise

See Items 9 and 17 of the FDD for lists of all the provisions in the franchise agreement that deal with the termination of the franchise agreement, the renewal of the franchise agreement and the transfer of the franchise.

Part 3 – Lists of Franchisees, Businesses and Closures

List of Current Franchisees

See Item 20 of the FDD (or an exhibit referenced therein) for a list of all franchisees of the franchisor or of the franchisor's affiliates that currently operate franchises in Canada of the same type as the franchise being offered, including the name, business address and telephone number of each franchisee. If there are fewer than 20 franchisees that are listed as described in previous sentence, the list also includes the name, business address and telephone number of the franchisees of the franchisor or of the franchisor's affiliates that currently operate franchises of the same type as the franchise being offered, that are in the foreign jurisdiction closest to British Columbia, until 20 or all the franchisees are listed, whichever is the lesser number.

List of Current Businesses

See Item 20 of the FDD (or an exhibit referenced therein) for a list of all businesses of the same type as the franchise being offered that the franchisor or the franchisor's affiliates currently operate in Canada, including the name and business address of each business.

List of Former Franchisees

See Item 20 of the FDD (or an exhibit referenced therein) for a list of all former franchisees of the franchisor or of the franchisor's affiliates that previously operated, in Canada and, if applicable, in any foreign jurisdiction from which the franchisor obtains the list of current franchisees referenced above, a franchise of the same type as the franchise being offered that has been terminated, cancelled, reacquired or not renewed by the franchisor or the franchisor's affiliate or has otherwise left the franchise system within the fiscal year immediately preceding the date of the disclosure document, including the name, last known address and telephone number of each former franchisee.

Franchise Closures

See Item 20 of the FDD for the total number of franchises in Canada of the franchisor or of the franchisor's affiliates of the same type as the franchise being offered within the previous 3 fiscal years that have

- (a) been terminated or cancelled by the franchisor or the franchisor's affiliates,
- (b) not been renewed by the franchisor or the franchisor's affiliates,
- (c) been reacquired by the franchisor or the franchisor's affiliates, or
- (d) not been renewed by the franchisee or otherwise left the franchise system.

Sunpark USA, Inc.

RECEIPTS

EXHIBIT O

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Pending
New York	Pending

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

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Sunpark USA, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Sunpark USA, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the state agency listed in EXHIBIT F.

The name, principal business address and telephone number of the franchise seller for this offering is Jimmie Evans, Officer, Sunpark USA, Inc., 21250 Hawthorne Boulevard, Suite 500, Torrance, California 90503, (808) 383-6514.

Date of Issuance: August 9, 2023.

Sunpark USA, Inc. authorizes the person identified in Item 1 to receive service of process for it in your state. I received a disclosure document dated as indicated above that included the following Exhibits:

- | | |
|---|--|
| A | Financial Statement |
| B | Franchise Agreement |
| | Exhibits to Franchise Agreement: |
| | Exhibit 1: Territory and Location of Outlet |
| | Exhibit 2: Names and Addresses of Principal Equity Owners |
| | Exhibit 3: Guarantee of Franchise Agreement |
| C | Area Development Agreement |
| D | List of Franchise Outlets |
| E | List of Terminated Franchises |
| F | State Franchise Administrators and Agents for Services of Process |
| G | Registration of Franchises in Other States |
| H | Conditional Assignment of Telephone and Directory Listing |
| I | Abandonment, Relinquish, & Termination of Assumed Fictitious Business Name |
| J | Electronic Funds Transfer Authorization |
| K | Form of General Release |
| L | Personal Guarantee |
| M | SBA Franchise Agreement Addendum |
| N | State and Provincial Law Addendum |
| O | Receipts |

DATED: _____
(Do not leave blank)

If a business entity:

If an individual:

(Name of Business Entity)

(Signature of Prospective Franchisee)

(Signature of Primary Contact Owner)

(Print Name)

(Print Name and Title)

Please date and sign this page, and then return it either by mail to Sunpark USA, Inc., 21250 Hawthorne Boulevard, Suite 500, Torrance, California 90503, or by e-mail to Jimmie.Ken.Evans@sunpark.ne.jp

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DATED: _____
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If a business entity:

If an individual:

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