FRANCHISE DISCLOSURE DOCUMENT

TEASTAR USA LLC
dba TEATOP
A California Limited Liability Company
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Irvine, California 92606-8823
(949) 558-9799
E-mail: teatalk123@yahoo.com.tw
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As a TEATOP franchisee, you will operate a retail food establishment that sells items from a focused menu featuring a variety of teas and juice drinks, using proprietary teas, milk teas and juices, tapioca balls, recipes and preparation techniques, freshly prepared and available for carry-out or consumption on the premises.

The total investment necessary to begin operation of a TEATOP franchise is $140,500 to $297,500 for a single outlet. This includes $56,500 to $79,500 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a TEATOP Area Development franchise is $180,500 to $337,500 for a Development Schedule with two outlets (the first outlet and one additional outlet), and $540,500 to $697,500 for a Development Schedule with 11 outlets (the first outlet and 10 additional outlets). This includes $96,500 to $119,500 that must be paid to the franchisor and its affiliates a Development Schedule with two outlets (the first outlet and one additional outlet), and $456,500 to $479,500 that must be paid to the franchisor or its affiliates for a Development Schedule with 11 outlets (the first outlet and 10 additional outlets).

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 Daniel Lin at Teastar USA LLC, 19 Del Carlo, Irvine, California 92606; telephone (949) 558-9799.

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: **May 8, 2025**

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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 Exhibit C.
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?	Exhibit B 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 TEATOP 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 TEATOP franchisee?	Exhibits C and D 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 E.

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 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 California. Out-of-state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate or litigate with the franchisor in California than in your own state.

2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

3. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchisor in a system with a longer operating history.

4. **General Financial Condition.** The franchisor's 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.

5. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

TEASTAR USA LLC

dba TEATOP

FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

Exhibits

ITEM 1: <u>THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES</u>

To simplify the language, this disclosure document uses "we" or "us" to mean Teastar USA LLC. "You" means the individual or entity buying the TEATOP franchise. All persons owning 20% or more of the franchisee are "Principal Equity Owners".

The Franchisor, Parents and Affiliates

We are the franchisor for the TEATOP system. Our principal business address is 19 Del Carlo, Irvine, California 92606.

We have no parent entity.

Our affiliate is Zhen Ding Ji Tea Co., Ltd. ("ZDJ"), a Taiwan limited company. ZDJ's principal business address is 15F.-2 No. 1338, Nanxing Road, Beitun District, Taichung City 406, Taiwan (Republic of China). ZDJ provides our franchisees with the proprietary food ingredients and other products necessary to prepare TEATOP beverages and other menu items. Otherwise, we are not controlled by, controlling, or under common control with any other entity that provides goods or services to our franchisees. Neither ZDJ nor any other company we are controlled by, we control, or is under common control with us, offers franchises in any line of business.

Predecessors

Our predecessor is Teastar L.L.C. ("T-LLC"), a California limited liability company that has operated as a franchisor since August 2017 (T-LLC stopped offering and selling franchises after April 30, 2023). T-LLC's address is 19 Del Carlo, Irvine, California 92606.

Name Used by the Franchisor

We conduct business under the name "TEATOP". We do not intend to use any other name to conduct business.

Agent for Service of Process

Our agents for service of process are Daniel Lin, 19 Del Carlo, Irvine, California 92606 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 E of this disclosure document.

Business Organization Used by the Franchisor

We are a limited liability company organized in California on January 1, 2024.

The Franchisor's Business

We act solely as a franchisor of TEATOP franchises. We do not operate businesses of the type being franchised and we do not engage in other business activities.

The Business the Franchisee Will Conduct

The TEATOP franchise is a license to independently own and operate a single retail store ("Outlet"), that sells items to retail customers from a focused menu featuring a variety of teas and juice drinks, using proprietary teas, milk teas and juices, tapioca balls, recipes and preparation techniques, freshly prepared and available for carry-out or consumption at the Outlet, using proprietary recipes and preparation methods (collectively, "TEATOP Products"), and related products and accessories using authorized equipment.

If you want to and are financially and operationally qualified in our judgment to do so, you and we may enter into an Area Development Agreement ("ADA"), under which you will be granted the opportunity to develop an agreed number of additional Outlets (minimum of one) under a mutually agreed timetable and within a negotiated development area. When you sign the ADA, you must sign (or already have signed) a separate Franchise Agreement for your first Outlet. The form of ADA is attached as Exhibit A-2 of this disclosure document. Upon establishing each additional Outlet under the ADA, you will be required to sign our then current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

General Market for Franchised Products and Services

The general market in which you will operate the business involves retail tea and coffee shops and other restaurants offering specialty teas and other food products that are similar to TEATOP Products. The market for TEATOP Products is all individuals within a reasonable proximity to the Outlet. This type of business is fully developed, does not involve sales 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 TEATOP Outlet may also be required to meet applicable municipal, county, state and federal building codes and handicap access codes, including compliance with the Americans with Disabilities Act of 1990, as amended, or similar state laws or legislation.

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 may inspect 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.

A wide variety of other federal, state, and local laws, rules, and regulations have been enacted that may impact the operation of your Outlet, and may include those which (i) establish general standards, permitting restrictions and requirements and other specifications and requirements for the construction, design, maintenance and operation of the business premises; (ii) set standards pertaining to employee health and safety; (iii) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for retail eating establishments; employee practices concerning the storage, handling, cooking, and preparation of food products; restrictions on smoking; availability of and requirements for public accommodations and requirements for fire safety and general emergency preparedness; and (iv) establish procedures for the disposal of hazardous wastes. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your business and should consider both their effect and cost of compliance.

Competition

All TEATOP franchisees will compete with other tea shops, coffee shops and restaurants that offer and sell specialty teas and tea drink combinations, including franchised operations and national and regional chains such as Teavana, Starbucks and Peets Coffee and Tea, and smaller chains (such as Urth Caffé, Culture Tea and Mr. T Café) and independent operators that offer specialty teas, tea drink combinations and other products comparable to the TEATOP Products.

Prior Experience of Franchisor, Predecessors and Affiliates

In July 2015, ZDJ established the first TEATOP retail store at 6158 Bollinger Road, San Jose, California. In November 2016, ZDJ also opened another TEATOP retail store at 82 Ranch Drive, Milpitas, California. In December 2017, these TEATOP retail stores were sold to and are now being operated as franchised TEATOP stores by SmarTea, USA, Inc. (“ST-USA”). ST-USA was also engaged by T-LLC to serve as its regional representative in “Northern California” (which includes the counties of Fresno, Mono and Monterey and all other counties north of those counties) to assist TEATOP franchisees when they joined the TEATOP system and then on an on-going basis. We will also be working with ST-USA.

T-LLC offered franchises providing the type of business that you will operate from August 2017 to April 2023, but it is no longer doing so. T-LLC never offered franchises in other lines of business. T-LLC does not operate businesses of the type being franchised. T-LLC does not engage in other business activities.

We began offering TEATOP franchises in May 2024. We have never offered franchises in other lines of business. We do not operate businesses of the type being franchised. We do not engage in other business activities.

We have no affiliates that offer franchises in any line of business. However, our affiliate ZDJ will provide you with products and services.

We sometimes grant a right to a “Regional Developer” to solicit or recruit prospective TEATOP franchisees to execute franchise agreements with us and to provide training and support services to these franchisees. Regional Developers may be existing TEATOP franchisees but will never be affiliates of ours. The Regional Director is not authorized to grant subfranchises and will never be a party to an ADA or Franchise Agreement that you execute. Before you execute the ADA or Franchise Agreement, any applicable Regional Director will be identified to you.

ITEM 2: BUSINESS EXPERIENCE

Kuo-Chen ("David") Yang: Founder, Chief Executive Officer and Manager.
Mr. Yang is our Founder, and he was named our Chief Executive Officer and Manager at our inception in January 2024. He also founded and serves as Chief Executive Officer and Manager of T-LLC, Irvine, California (since November 2016), and Chief Executive Officer of ZDJ, Taichung City, Taiwan, Republic of China (since April 2008).

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

Initial Fees

The Initial Franchise Fee for a single Outlet is $40,000 and is due and payable in full to us when you sign the Franchise Agreement.

The Initial Franchise Fee is 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 Outlet within 365 days after you sign the Franchise Agreement, we may unilaterally cancel the Franchise Agreement, and if we do so, we will refund the initial franchise fee you paid, less any expenses we incurred in processing your Franchise and the Franchise Agreement. Otherwise, the Initial Franchise Fee is not refundable.

Performance Bond

When you sign the Franchise Agreement, you must pay us a Performance Bond of $10,000 to $20,000 (as we determine). If you default in performing any requirement of the Franchise Agreement or any other agreement between you and us (or any of our affiliates), we may use the Performance Bond, or any portion of it, to cure the breach or to compensate us or our affiliates for all damages or expenses we incur because of your breach, including damages we suffer because of your purchase of unapproved materials or your use of poor-quality raw material in preparing and serving TEATOP Products. We may also use the Performance Bond to pay any late charges, interest, penalties, and fees and any costs and charges payable to us for performing obligations that you do not perform, and which we are entitled to perform for you. If monies are owed, or become due, to us on or after termination or expiration of the Franchise Agreement for any reason, we may use all or any part of the Performance Bond to pay those sums. If we use any part of the Performance Bond before the end of the term of the Franchise Agreement, you will have to restore the balance of the Performance Bond to the full initial amount of you deposited. If you are not in default in performance under the Franchise

Agreement or any other agreement with us or any of our affiliates on the date the Franchise Agreement expires or is terminated by mutual agreement, within 30 days after the expiration or effective date of termination of the Franchise Agreement we will return to you the remaining balance of the Performance Bond, without any interest accrued or payable.

Required Inventory

Not later than two weeks before the opening date of the Outlet, you must purchase from ZDJ (i) the initial required pre-opening inventory of proprietary teas and other proprietary ingredients needed to make TEATOP Products, (ii) required fixtures and equipment, and (iii) other proprietary supplies, items and accessories as specified in the Confidential Operations Manual. The cost for the inventory, fixtures, equipment, supplies and accessories ranges from $6,500 to $19,500. These costs are not refundable, except upon termination of the Franchise Agreement when we or ZDJ may repurchase from you (at the price that you paid for them) new or reusable proprietary teas and other proprietary ingredients needed to make TEATOP Products.

Development Fee

If you are eligible and you sign an ADA, in addition to the Initial Franchise Fee, Performance Bond and required inventory purchase paid for your first Outlet (totaling from $56,500 to $79,500), you will pay us a “Development Fee” determined by the number of additional Outlets (minimum of one, and maximum of 10) that you commit to open under the ADA. The Development Fee is computed by multiplying the number of additional Outlets by $40,000. For example, if you agree to open one additional Outlet, the Development Fee would be $40,000, and if you agree to open 10 additional Outlets, the Development Fee would be $400,000. The Development Fee is fully earned by us when paid and is not refundable. For a development area with one additional outlet (total of two outlets) $96,500 to $119,500 must be paid to the franchisor or its affiliates. For a development area with 10 additional outlets (total of 11 outlets) $456,500 to $479,500 must be paid to the franchisor or its affiliates.

All initial fees are payable in a lump sum. 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

Type of Fee	Amount[1]	Due Date[2]	Remarks
Monthly Royalty	Greater of (i) 5% of “Gross Revenues” or (ii) $400[3]	On the third business day of each month	Royalty is paid monthly by electronic funds transfer (“EFT”) based on the Outlet’s Gross Revenues from the preceding month. “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 taxes. A portion of the monthly Royalty is retained by us after collections and payment, and the balance is remitted to ZDJ by wire transfer.

Type of Fee	Amount[1]	Due Date[2]	Remarks
Additional Advertising and Promotion Assessment	Amount of assessment (variable)	Immediately upon our demand	Although you are not obligated under the Franchise Agreement to pay any advertising fee, on a regional or system-wide basis, we may also impose an additional assessment upon some or all franchisees for one-time advertising or promotional activities if two-thirds of all affected TEATOP franchisees agree to such additional assessment by affirmative vote.
Additional Training Fee	Up to $750[3] (per day)	At time of training	After the Outlet opens, and upon reasonable notice, we may require attendance of your General Manager, Assistant Manager, Principal Equity Owners and other designated personnel at training courses, seminars, conferences or other programs. We may, at our discretion, charge an additional training fee of up to $750[3] per day for TEATOP training courses, seminars, conferences or other programs that we require you or your representatives to attend. You must also pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings.
Transfer Fee	$25,000 [3]	Not later than 10 days before the transfer	The transfer fee covers our costs in reviewing the qualifications of the assignee and providing initial franchise training to the assignee. There is no transfer fee if franchise is transferred to an entity (corporation or limited liability company) owned solely by you. No transfer fee is due if 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 Payment Penalty	5% of the amount past due	Immediately upon our demand	Payable only if you do not pay when due. The late payment penalty is in addition to interest on the unpaid amount.
Interest Charged	Annual Percentage Rate ("APR") of 18% of the unpaid amount	Immediately upon our demand	Interest begins from the date payment was originally due. Interest charged by us cannot exceed the maximum allowed by the law of the state where the Outlet is located.
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 outlets.
Records and Rights of Inspection (Audit)	Cost of audit plus interest on underpayment	Immediately upon demand for payment [2]	It is payable if the audit discloses an understatement of 5% or more in gross sales for any month, or it takes our auditors an unreasonable amount of time (more than eight hours) to assemble your records for audit.

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. We currently require you to pay fees and other amounts due to us or our affiliates by electronic funds transfer ("EFT") or other similar means. You must complete an EFT authorization and a credit card authorization which allows us to charge your credit card for any past due amounts if an EFT payment is unsuccessful. We

can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. If you enter into an ADA to operate multiple TEATOP Outlets, the fees indicated in the chart above are the fees charged or incurred for each TEATOP Outlet. All fees are current as of the issuance date of this Franchise Disclosure Document.

2. If any payment is not paid when due, you must pay interest on the unpaid amount at an APR of 18% (or the highest APR allowed by the law of the state where the Outlet is located, if that APR is lower), 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 may be adjusted by changes since the effective date of the Franchise Agreement in the annual average of the Consumer Price Index for All Urban Consumers ("CPI"), currently published by the Bureau of Labor Statistics of the United States Department of Labor.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee[1]	$40,000	Lump sum; non-refundable	When you sign the Franchise Agreement.	Us
Performance Bond[1]	$10,000 to $20,000	Lump sum; non-refundable	When you sign the Franchise Agreement.	Us
Training expenses[2]	$10,000 to $15,000	As incurred	During training	Airline, travel and lodging vendors
Lease of Outlet premises and security deposit[3]	$5,000 to $9,000	As incurred	As arranged	Landlord and utilities
Leasehold improvements[4]	$25,000 to $100,000	As arranged	As arranged	Landlord and other vendors
Equipment, furniture and fixtures[5]	$20,000 to $40,000	As arranged	As arranged	Suppliers and vendors
Point of sale system[6]	$3,000 to $5,000	As incurred	As arranged	Designated or approved suppliers
Interior/exterior signs and graphics[7]	$1,000 to $5,000	As incurred	As arranged	Designated or approved suppliers
Professional fees[8]	$1,500 to $3,000	As incurred	Before and during opening	Attorneys, accountants and other professionals
Business licenses and permits	$1,000 to $5,000	Lump sum	As arranged	Government agencies
Inventory to begin operating[9]	$6,500 to $19,500	Lump sum	Before opening	JTC
Grand opening advertising and promotion[10]	$1,000 to $2,000	As incurred	During the 30 days before and the 30 days after you open	Advertisers and other suppliers

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Business insurance[11]	$1,000 to $3,000	Lump sum	As arranged	Insurance companies
Miscellaneous opening costs[12]	$500 to $1,000	As incurred	Before and during opening	Utilities and other suppliers
Additional funds – 3 months [13]	$15,000 to $30,000	As incurred	After opening	See note 12 below
TOTAL[14]	**$140,500 to $297,500**			

(1) This fee must be paid in full at the time indicated. To be eligible to sign the Franchise Agreement, you must pay the Performance Bond, you must 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. We do not finance any fee, payment or part of your initial investment.

(2) Initial training is completed in two phases - 30 days in Taiwan and up to two weeks at your Outlet. These expenses represent the travel and living expenses for your General Manager and Assistant Manager during training.

(3) 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.

(4) You will need to conduct the necessary build-out of your leased space according to our requirements. Outlets are preferably "end-cap locations" (at the far end of a shopping mall or strip center) with 1,600 and 2,000 square feet of floor space, outdoor seating and ample customer parking access. 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. If you are leasing space for a newly constructed Outlet, 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 to qualify for the TI rebate from the landlord.

(5) The equipment you need to obtain includes ice maker, ice tank, syrup dispenser, sealing machine, induction cooker, refrigerator and freezer, label printer, IP camera, time clock, security management system, blender, hand dryer and television. The equipment is provided to you by our parent company ZDJ and shipped directly from Taiwan. Furniture you need to obtain includes tables, chairs and shelving. Fixtures you need to obtain include interior menu boards, prep table with refrigerated base and countertop cooler (the last two items are provided to you by ZDJ and shipped directly from our parent company ZDJ and shipped directly from Taiwan. Furniture you need to obtain includes tables, chairs and shelving. Fixtures you need to obtain include interior menu boards, prep table with refrigerated base and countertop cooler (the last two items are provided to you by ZDJ and shipped directly from Taiwan. Furniture you need to obtain includes tables, chairs and shelving. Fixtures you need to obtain include interior menu boards, prep table with refrigerated base and countertop cooler (the last two items are provided to you by ZDJ and shipped directly from Taiwan).

(6) This includes point of sale ("POS") system with cash register, computer system, set-up fee and first year support and maintenance. We do not specify a specific brand of POS system or computer for you to use in operating your Outlet.

(7) The quantity, size, type and cost of signs will vary substantially per lease space and in accordance with stipulations of each landlord and local governmental regulations. These estimates include the average filing fees for obtaining the necessary sign permits.

(8) This includes professional legal and accounting fees to review the franchise and set up the Outlet, business licenses and other prepaid expenses.

(9) You must buy all "Required Inventory" (defined in the franchise agreement as proprietary teas and other proprietary ingredients needed to make TEATOP Products) from our affiliate ZDJ. In addition to your costs for the initial Required Inventory set forth in the table above, you must also acquire logoed t-shirts, hats and aprons for your staff at an estimated cost of $400 to $600.

(10) Although you are not required under the Franchise Agreement to spend a minimum amount on a grand opening promotion to build local customer awareness of your Outlet, we recommend you do so to maximize your sales potential. If requested, recommendations on how you might promote the grand opening of your Outlet may be provided by us, including sample advertising copy and flier design.

(11) 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) general liability insurance with limits of at least $1,000,000 per occurrence and $2,000,000 aggregate and (ii) 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 and/or excess policies. All insurance policies will name you as named insured and, except Workers' Compensation insurance, will name us and any of our subsidiaries and affiliates of these companies that now exist or which may hereafter exist as additional insureds, including their employees, officers and directors on additional insured endorsement forms. The costs of premiums will vary based on location of the Outlet and any prior claim history. The required coverage and limits are subject to change.

(12) This includes connection charges and security deposits for utilities provided to the Outlet and related prepaid opening expenses.

(13) Although we do not require minimum funds for you to start your business, there are additional expenses you will incur when you begin your franchise operations, and 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, not including payroll costs for your first 30 days of operation which are set forth separately in the table. We relied on the 37 years of experience of our Chief Executive Officer in the retail tea business in determining these figures.

(14) If your Outlet does 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.

AREA DEVELOPMENT AGREEMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Development Fee[1,2]	$40,000[3] to $400,000[3]	Lump sum	When you sign the ADA.	Us

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Investment for First Outlet[1]	$140,500 to $297,500	Varies	When you sign the Franchise Agreement	Us ($50,000 to $60,000), ZDJ ($6,500 to $19,500) and others ($84,000 to $218,000)
TOTAL	**$180,500 to $697,500**			

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. The Development Fee is not refundable.

2. 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 form) for that additional Outlet, with a credit of $40,000 to be applied against the initial franchise fee due under the Franchise Agreement for that additional Outlet, and you would pay us the remaining balance due. If you fail to comply with the Development Schedule, your ADA may be terminated but you will still be able to operate your Outlets under their individual Franchise Agreements as a multi-outlet franchisee.

3. The Development Fee ranges from $40,000 (for a total of two Outlets in the Development Schedule) to $400,000 (for a total of 11 Outlets in the Development Schedule).

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

As part of the equipment provided to you by our affiliate ZDJ, you will receive a Clover Station point of sale system ("POS System"). You are responsible for all ongoing maintenance and repairs and upgrades to the POS System. In addition to the POS System, you may be required to 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 in connection with the Outlet (the "Computer System"). We require you to maintain an e-mail account and always connect the POS System to a dedicated telephone line (or other communications medium that we specify), capable of accessing the Internet via a third-party network we designate in the Manual or otherwise in writing. You must license or sublicense software to operate the POS System from our designated vendor and enter into a software license agreement on the designated vendor's then-current form.

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 that 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 that 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.

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) general liability insurance with limits of at least $1,000,000 per occurrence and $2,000,000 aggregate and (ii) workers' compensation insurance to meet the statutory coverage of the state where your Outlet is located.

Franchisor or its Affiliates Acting as Approved Suppliers

You must purchase all Required Inventory only from our affiliate ZDJ, which will direct ship the initial inventory and replacement inventory directly from Taiwan. Otherwise, neither we nor any affiliate sells or leases any goods, services, supplies or equipment related to establishing or operating the franchised business.

Our officers own an equity interest in ZDJ. Otherwise, there are no suppliers in which any of our officers owns an interest.

Approved Suppliers and Approval of Alternative Suppliers

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 factors established by us, 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 a single supplier 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 that our representative be permitted to inspect the supplier's facility and that samples from the supplier be delivered for evaluation and testing, either to us or to an independent testing facility designated by us. A charge not to exceed the reasonable costs of evaluation and testing must be paid by you. Our criteria for supplier approvals are contained in the Manual. Within 60 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 the 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 that 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.

Issuance of Specifications and Standards

We issue specifications and standards regarding authorized TEATOP products and services to its franchisees through the Manual and other communications in writing or by email. We also issue specifications and standards regarding authorized TEATOP products and services to its 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 the suppliers with a reasonable amount of time to implement the modifications.

Revenue from Franchisee Purchases

In 2024, we did not derive revenue, rebates or other material consideration from or related to required purchases or leases by TEATOP franchisees. In 2024, ZDJ derived revenue of $315,086 (representing 3.37% of its total revenue) from required purchases of proprietary food ingredients by TEATOP franchisees. ZDJ's revenue from sales to TEATOP franchisees in 2024 is based on ZDJ's most recent audited financial statements.

Payments to us and purchases from our affiliated entities, designated vendors and approved suppliers (i) in establishing your Outlet will range from 36% to 38% of your total initial investment and (ii) in operating your Outlet will range from 30% to 35% of your total monthly expenses.

Cooperatives

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

Negotiated Purchase Arrangements

We do not negotiate purchase arrangements or price terms with suppliers for the benefit of franchisees, although we may do so in the future.

Material Benefits Based on Franchisee Purchases

We do not provide any material benefits to you based on your purchase of specific products or services or your 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	7.1-7.3	2.1	6, 7, 11
d.	Initial and ongoing training	6.1-6.4	Not applicable	11
e.	Opening	7.2, 7.3	Exhibit 1	11
f.	Fees	4.1-4.9, 12.2	3.1-3.4	5, 6
g.	Compliance with standards and policies/ operating manual	8.1-8.13	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, 7.1, 8.1, 8.3, 8.13	1.1	16

	Obligation	Section in franchise agreement	Section in area development agreement	Disclosure document item
j.	Warranty and customer service requirements	8.1	Not applicable	11
k.	Territorial development and sales quotas	Not applicable	Exhibit 1, 1.2, 2.4	12
l.	Ongoing product/service purchases	3.4, 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, 10.1-10.2	5.2	6,11
p.	Indemnification	16.2	Not applicable	6
q.	Owner's participation/management/staffing	6.1, 6.2, 8.1, 12.2, 12.4-12.7	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	1.3, 2.4	17
v.	Post-termination obligations	11.2, 15.1-15.2	6.1-6.2	17
w.	Non-competition covenants	11.1-11.3	5.1-5.2	17
x.	Dispute resolution	14.1-14.5	7.1-7.5	17
y.	Other (compliance with anti-terrorism 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 protected territory (see section 3.1 and Exhibit 1 of the Franchise Agreement).

(2) Provide you with initial training and orientation in the TEATOP system and how to operate the Outlet (see section 6.1 of the Franchise Agreement and the Training Program described below in this Item 11). Your General Manager and Assistant Manager must successfully complete initial training to our satisfaction before you can open your Outlet.

(3) Provide you with a general plan for the equipping of your Outlet, together with a written schedule of all components of the Required Inventory; a list of other foods, food items and beverages that may be sold at your Outlet; and a list of approved and designated suppliers (see sections 7.2(b) and 7.3 of the Franchise Agreement).

(4) Although we do not typically assist you with or 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(a) 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. Within 90 days after signing the Franchise Agreement, you should be able to locate and secure an acceptable site for your Outlet. We will review and either consent to or decline the proposed site for your Outlet within 15 days after you provide us with its address. If you are unable to locate an acceptable site within 365 days, we can cancel the Franchise Agreement (see section 7.2(a) of the Franchise Agreement). The factors that we consider in consenting to a site for the Outlet include general location and neighborhood, traffic patterns, parking, size, proximity to other TEATOP franchisees, 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.

(5) Provide you with a copy of the Manual (see section 7.2 of the Franchise Agreement).

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 180 days. Factors that may affect this 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 we consent to the site for your Outlet but you do not begin operating your Franchised Business within 365 days after you sign the Franchise Agreement, we can cancel the Franchise Agreement and if we do so under those circumstances, we are not obligated to refund your initial franchise fee (see section 7.2(b) of the Franchise Agreement).

Post-Opening Assistance

During the operation of the franchised business, we or an applicable Regional Developer:

(1) Will provide you with access to, and integrate information about your Outlet into, the TEATOP website (see sections 6.2 and 8.13 of the Franchise Agreement).

(2) Will be reasonably available by phone and e-mail for guidance in the operation and management of your Outlet (see section 6.2 of the Franchise Agreement). However, we do not provide you with assistance in hiring, supervising or discharging employees.

(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 TEATOP 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 Southern California or other place in the United States. Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your 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 TEATOP 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(c) of the Franchise Agreement). Also, to the extent permitted by federal and state law applicable to the Outlet, we may designate maximum and minimum retail prices to be charged for TEATOP Products.

Advertising Program for the Franchise System

We do not collect from our franchisees any marketing, promotion or advertising fees. We intend to use the Internet, social media and targeted print media in our marketing and advertising efforts. And in the future, we may use local radio and television advertising. We will be using in-house advertising personnel to do this, but we also intend to hire advertising and public relations firms to assist us in these efforts. We are not required to spend any amounts on advertising in your franchised territory, although we may do so.

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. You grant us the right to use the name, image and likeness of you, all Principal Equity Owners and any of your affected employees, for commercial purposes in connection with the marketing and promotion of the Marks, TEATOP Products, TEATOP Outlets and the TEATOP system. (See section 9.1(d) of the Franchise Agreement.)

We do not have a franchisee council that advises us on advertising policies.

We are not presently involved in any advertising cooperatives, and we have no intentions of creating or participating in advertising cooperatives in the future.

You are not currently required to pay any advertising, marketing or promotion fees to us. However, on a national or regional basis, we may impose an assessment on all affected TEATOP 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(b) of the Franchise Agreement). If we do so, and you want an accounting of how these assessments were spent in a specific calendar year, you must request this accounting in writing on or before March 31, and we will provide you on or before the following

May 31 with an unaudited statement describing the annual receipts and expenditures related to these assessments during the calendar year that just ended.

Electronic Cash Registers and Computer Requirements

Either our affiliate ZDJ will provide you with a Clover Station POS System as part of the initial equipment you receive and will use, or you must purchase or lease an acceptable POS System to use in your Outlet (see section 8.4 of the Franchise Agreement). The recurring monthly charges to maintain and support a POS System range from $150 to $400. You will use the POS System to complete point-of-sale transactions and track your weekly sales. We must have independent access through the Internet 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 (see section 8.5 of the Franchise Agreement). If we replace the POS System, you will receive a 90-day notice, and we estimate the cost to you will not exceed $5,000. We anticipate that the monthly cost of optional or required maintenance, updating, operating or supporting contracts regarding the POS System will be $150.

In addition to the POS System, you may be required to purchase, use and maintain a Computer System. We do not presently specify or recommend the brand or type of Computer System. But if this changes, you will be notified. We estimate that the annual cost of optional or required maintenance, updating, operating or supporting contracts regarding the Computer System will be $1,200.

Operations Manual

We will loan you one copy of our Manual (containing a total of 103 pages) and other applicable manuals 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 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 will 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:

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

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Orientation, Culture, Values, Management Administration Components of Required Inventory Use of TEATOP Equipment Beverage Modulation Processes for Various Types of Cold Drinks Preparation Processes for Various Types of Hot Drinks	240	0	Taichung, Taiwan
On-site Operational Training Preparation of Cold Drinks and Hot Drinks Customer Service at an Operational Outlet	0	80	Your Outlet
Total Hours	**240**	**80**	

The training program above is effective as of the date of this disclosure document. Initial training is typically scheduled monthly. The first phase of initial training is typically provided within 45 days before your Outlet is scheduled to open as a TEATOP franchise location opens. The second phase of initial training is conducted at your Outlet immediately after you open. All classroom training takes place at ZDJ's headquarters in Taichung City, Taiwan, or at another training center designated by us. All on-the-job training takes place at your Outlet.

The instructional material consists of appropriate handouts and information directly from the Manual. Currently, our initial training instructor is Mr. Yang, our Chief Executive Officer, who has been with us and our affiliates for 37 years, and who has 37 years of experience in the subject matters being taught. The initial training instructor is sometimes assisted by operations staff and other employees.

We do not charge for this training or service for the designated General Manager, Assistant Manager and Principal Equity Owner (each additional trainee may have to pay us up to $1,500 for training). You must pay all travel and living expenses of persons you send to training.

The successful completion of initial training by your designated General Manager, Assistant Manager and Principal Equity Owner to our satisfaction is a condition to your opening of an Outlet to the public. If your designated General Manager and Assistant Manager fail to complete initial training satisfactorily, you will have the option of sending a replacement approved by us to initial training. We will issue a Certificate of Completion (may be done electronically) 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.

You must pay all the expenses incurred by your trainees and 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 (section 6.1(d) of the Franchise Agreement).

Upon reasonable notice, we may require attendance of designated personnel of yours at training courses, seminars, conferences or other programs that are deemed by us to be relevant or appropriate to the operation of your Outlet (see section 6.2(c) of the Franchise Agreement). We may, at our discretion, charge an additional training fee of up to $750 per day for TEATOP training courses, seminars, conferences or other programs that we require you or your representatives to attend. Currently, no refresher courses are required.

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 other Principal Equity Owners).

ITEM 12: TERRITORY

You will receive a protected territory ("Territory") within a defined area surrounding your Outlet based on population density as determined by us with your consent and specified in your Franchise Agreement. The Territory is usually defined as a geographical area surrounding the Outlet as depicted in a map attached to the Franchise Agreement. The Territory may also be defined by a radius around your Outlet, which will typically vary from a quarter mile in densely populated areas to two miles in rural areas. By "protected" 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 TEATOP franchise to any other person nor will we or any of our affiliated entities operate an Outlet within your Territory. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You 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), 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 territory granting you the right to open within a mutually agreed development area a designated number of additional Outlets under a mutually agreed development schedule. 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 exclusive 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 TEATOP 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 similar to those that 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 TEATOP products under our principal trademarks or different trademarks through other channels of distribution (including the Internet), in your Territory and anywhere else. We are not required to pay you compensation for soliciting or accepting orders in your Territory that were obtained through other channels of distribution.

You may only offer and sell TEATOP products to customers at your Outlet, and you are restricted from advertising TEATOP products outside your Territory 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 territory without our prior written approval. Also, you may not offer or sell TEATOP 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 TEATOP 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 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 TEATOP franchise.

The continuation of your franchise rights to the Territory does not depend on your 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 those geographic areas increases.

ITEM 13: TRADEMARKS

You are licensed to operate and identify the Outlet under the principal trademark “TEATOP”, and logotype displayed on the cover of this disclosure document, and other current or future trademarks. On January 14, 2025, our affiliate ZDJ registered the principal trademark “TEATOP” (plus design) with the United States Patent and Trademark Office (“USPTO”), on the Principal Register in class 43 (for bar and cafe services), registration number 7650104.

There are presently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending interference, opposition or cancellation proceedings involving our trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of trademarks listed in this Item in a manner material to the franchise. There is no pending material federal or state court litigation regarding our use or ownership rights in the trademarks. All required affidavits have been filed by the franchisor and the owner of the trademarks. No trademark registrations have been renewed.

All trademarks are owned by ZDJ, which granted us a trademark license (the “Trademark License”) and right to use the principal trademark and related trademarks, service marks, trade names, logos and symbols (collectively the “Marks”) related to TEATOP and to grant licenses to use the Marks to TEATOP franchisees. The Trademark License will continue until it is terminated. If the Trademark License were to be terminated, TEATOP franchisees would have the right to continue to use the Marks while operating their franchised Outlets under their Franchise Agreements for no 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 a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Marks 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 will indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition or similar claims about the Marks. But we have no obligation to defend or indemnify you if the claim against you relates to your use of the Marks in violation of the Franchise Agreement.

If you learn that any third-party whom you believe is not authorized to use our Marks 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 Mark 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.

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 the trademark owners, including trademark rights.

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

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not have 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 only you or your authorized employees can have access to and use the proprietary information in the Manual), TEATOP menu and our employee handbook.

You must immediately notify us if you become aware of any infringement or inappropriate use of the Manual. We will then take whatever action we deem appropriate, and will control any litigation, to protect our copyright in the Manual. 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, 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. Otherwise, we will indemnify you and hold you harmless from and against all judgments resulting from any claim, suit or demand arising from your authorized and use of the copyrights in accordance with the terms of the Franchise Agreement.

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 the trademark owners, including copyrights.

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

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 and image of you and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, any TEATOP location and the TEATOP System, without any form of compensation or remuneration.

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

We are seeking franchisees whose Principal Equity Owners will be personally participating in the direct “on premises” management and operation of your Outlet. Each Principal Equity Owner (and their spouse) if applicable signs a Guarantee of Franchise Agreement (attached as Exhibit 3 of the Franchise Agreement obligating each Principal Equity Owner and their spouse (if applicable) to ensure that obligations of the franchisee under the Franchise Agreement related to payments to franchisor, confidentiality and non-competition are fulfilled.

You must employ at least one designated General Manager (if you are a sole proprietor, this could be you) and an Assistant Manager who has successfully completed our initial training program. You must disclose the identity of the General Manager and Assistant Manager to us and if either is for any reason no longer acting in this capacity, you must notify us immediately and in writing. The General Manager and Assistant 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. The Assistant Manager must also be employed on a full-time basis. We do not require your General Manager or Assistant Manager to have any ownership interest in your business, although they may. However, if the General Manager or Assistant Manager is not a Principal Equity Owner of your franchisee entity, they 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 TEATOP Products and other goods and services that we specifically designate as required for all franchisees or have specifically approved.

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 allow you to offer additional goods or services. There are no limits on our right to do so except that the additional investment required of you for equipment, supplies and initial inventory will not exceed $50,000 per year.

Except for applicable laws restricting discrimination against customers based on public policy, there are no restrictions on the customers to whom you may sell TEATOP 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	The initial term of the Franchise Agreement is three years. 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 three-year terms upon written notice delivered to us not less than 120 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. You have no right to renew the ADA.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
c.	Requirements for franchisee to renew or extend	5.2	2.4	Sign Renewal Franchise Agreement, remodel your Outlet (if necessary), and sign release. The Renewal Franchise Agreement you sign at renewal may have materially different terms and conditions than your original Franchise Agreement. (This provision is subject to APPLICABLE state law.)
d.	Termination by franchisee	13.1	6.1	If we are in material breach (beyond any applicable cure periods), you can terminate your Franchise Agreement or ADA.
e.	Termination by franchisor without cause	Not applicable	Not applicable	Not applicable.
f.	Termination by franchisor with cause	13.1-13.5	6.1	We can terminate the Franchise Agreement only if you are in material default. (This provision is subject to APPLICABLE state law.)
g.	"Cause" defined – curable defaults	13.3	6.1	You have 30 days after notice to cure defaults under your Franchise Agreement (including defaults under a lease for your Outlet) that can be cured. (This provision is subject to APPLICABLE state law.)
h.	"Cause" defined – non-curable defaults	13.2	Not Applicable	Non-curable defaults under the Franchise Agreement: your bankruptcy or insolvency; abandonment of the franchise; you engage in conduct that reflects materially and unfavorably upon the operation or reputation of TEATOP or our franchise system; you make material misrepresentations relating to 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 System; you fail, for a period of 10 business 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 60 days; you are convicted of a felony or any other criminal misconduct that is relevant to the operation of the Franchise; you fail to pay any franchise fees or other amounts due to us or our affiliate within five days after receiving written notice that such fees are overdue; we make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety; or

	Provision	Section in franchise agreement	Section in area development agreement	Summary
h.	"Cause" defined – non-curable defaults [continued]			your financial condition is impaired to the point that it is reasonable to conclude that you will not be able to fully discharge your obligations under this Agreement and that impairment continues for at least 30 days. (This provision is subject to APPLICABLE state law.)
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, forwarding of telephone number and payment of amounts due (also see r. in this Table, below).
j.	Assignment of contract by franchisor	12.1	4.1	No restriction on our right to assign the Franchise Agreement or the ADA. (However, no assignment will be made except to an assignee that in our good faith and judgment is willing and financially able to assume our obligations as franchisor under the Franchise Agreement or ADA.)
k.	"Transfer" by franchisee – defined	12.2	4.2	The Franchise Agreement defines a transfer as a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise. Under the ADA, no transfer is permitted except to an entity formed by an individual area developer to operate under the ADA provided the entity is owned 100% by the individual area developer.
l.	Franchisor's approval of transfer by franchisee	12.2	Not Applicable	We have the right to approve all transfers under the Franchise Agreement (including transfers of (i) more than 50% of the equity or (ii) controlling interest in a franchisee entity), but we will not unreasonably withhold approval.
m.	Conditions for franchisor approval of transfer	12.2	Not Applicable	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, and current agreement signed by new franchisee (see r. below). Within 30 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 the approval or disapproval of the proposed transfer of the Franchise by you. This notice will be in writing and delivered to you by business courier. (This provision is subject to APPLICABLE state law.)
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) or (ii) to your heirs, personal representatives or conservators in the case of death or legal incapacity of the individual franchisee or Majority Equity Owner or (iii) to an affiliated entity organized for purposes of operating the franchised business and owned in same amount of ownership as prior to such transfer.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
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 APPLICABLE state law.)
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, you cannot be involved in any competing business anywhere during the term of the franchise. Under the ADA, you must comply with non-competition covenants contained in the last effective Franchise Agreement executed by you or your affiliated entity.
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 one year within 25 miles of your Store or any other Corndogs by Mr. Cow Store (this obligation also applies to you if you assign your franchise). (This provision is subject to state law.) Under the ADA, you must comply with non-competition covenants contained in the last effective Franchise Agreement executed by you or your affiliated entity. (This provision is subject to APPLICABLE state law.)
s.	Modification of the agreement	16.14(c)	9.2	No modifications to the Franchise Agreement or the ADA unless in writing signed by both parties. However, the Manual may be changed by us. (This provision is subject to APPLICABLE state law.)
t.	Integration/merger clause	16.14	9.10	Only the terms of the Franchise Agreement and ADA are binding (subject to state and federal law). Any representations or promises outside of the disclosure document, Franchise Agreement and ADA may not be enforceable. Nothing in the Franchise Agreement, ADA or any related agreement is intended to disclaim the express representations made in this disclosure document, its exhibits and amendments.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
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 under the Franchise Agreement, 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 dispute arises to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If this meeting does not result in a settlement of the dispute (or the meeting does not take place), within 10 business days after the date the meeting took place (or should have taken place), the parties may submit the dispute to non-binding mediation in California conducted by 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 no mediation takes place, the dispute will be resolved by arbitration by and before a mutually acceptable arbitrator. We will maintain a position of strict neutrality regarding any disputes between owners of a franchisee entity, and we will not assist any specific owner of your entity, nor will we take a position or issue an opinion on the validity of a specific claim by an owner of your entity or the respective liabilities of owners of your entity involved in a dispute. (This provision is subject to APPLICABLE state law.)
v.	Choice of forum	14.1-14.3	7.1-7.3	Under the Franchise Agreement and the ADA, arbitration proceedings must take place in Orange County, California, any mediation proceeding will take place at a mutually agreed location in California, and any litigation proceedings will be filed in an appropriate court in California. (This provision is subject to APPLICABLE state law.)
w.	Choice of law	16.13	9.1	The Federal Arbitration Act 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. (This provision is subject to APPLICABLE state law.)

ITEM 18: PUBLIC FIGURES

We do not currently pay or provide any other benefit to a public figure for the right to use their name to promote the sale of TEATOP franchises.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Chief Executive Officer, Mr. Kuo-Chen ("David") Yang, Teastar USA LLC, 19 Del Carlo, Irvine, California 92606, telephone (949) 558-9799; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary For years 2022 to 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	9	+9
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	**2022**	**0**	**0**	**0**
	2023	**0**	**0**	**0**
	2024	**0**	**9**	**+9**

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For years 2022 to 2024

State	Year	Number of Transfers
All states	2022	0
	2023	0
	2024	0
TOTALS	**2022**	**0**
	2023	**0**
	2024	**0**

Table No. 3

Status of Franchised Outlets For years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	3	0	0	0	0	3
Geogia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
Maryland	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	3	0	0	0	0	3
Totals	**2021**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2024	**0**	**9**	**0**	**0**	**0**	**0**	**9**

Table No. 4

Status of Company-Owned Outlets For years 2022 to 2024

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
All states	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Totals	**2022**	**0**	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**0**	**0**	**0**	**0**	**0**
	2024	**0**	**0**	**0**	**0**	**0**	**0**

Table No. 5

Projected Openings As Of December 31, 2024

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
California	0	2	0
Georgia	0	2	0
Maryland	0	2	0
Texas	0	2	0
Totals	**0**	**8**	**0**

Exhibit C lists, as of December 31, 2024, the names, addresses and telephone numbers of all TEATOP franchise outlets that are open and operating and any franchisees who signed franchise agreements but had not yet opened their franchised outlet.

Exhibit D lists, as of December 31, 2024, the contact information of every franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during our most recently completed fiscal year, or that has not communicated with us within the 10 weeks ending on the date of this disclosure document. Your contact information may be disclosed if you buy this franchise and then later leave the system.

During the last three fiscal years, we have not signed any agreements with current or former franchisees that included confidentiality clauses.

We have not created, sponsored or endorsed any trademark-specific franchisee organizations associated with the TEATOP franchise being offered. There are no independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21: FINANCIAL STATEMENTS

Exhibit B to the disclosure document contains our (i) audited financial statement for the fiscal year ending December 31, 2024, (ii) unaudited balance sheet as of September 30, 2025, and (iii) unaudited income statement for the nine months ended September 30, 2025. We were organized on January 1, 2024, have not been in business for three years or more and cannot include all financial statements required under the FTC's Franchise Rule.

ITEM 22: CONTRACTS

Exhibit A-1 - Franchise Agreement
Exhibit A-2 – Area Development Agreement

ITEM 23: RECEIPTS

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

TEATOP

FRANCHISE AGREEMENT

EXHIBIT A-1

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FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made and entered into as of ___________________, 20 __ (the "Effective Date"), by and among Teastar USA LLC, a California limited liability company doing business as "TEATOP" ("Franchisor"), and ____ ("Franchisee"), with reference to the following facts:

RECITALS

An entity affiliated with Franchisor (the "Owner of the Marks") owns the TEATOP 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 TEATOP franchisees.

Franchisee desires 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) at a specific "Outlet" (as defined in Article I below and identified in Exhibit 1 attached).

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 five consecutive business days, without Franchisor's prior written consent. A repeated pattern of inactivity at Franchisee's Outlet for periods of less than five consecutive business days may result in the Franchised Business being deemed Abandoned by Franchisee if in Franchisor's judgment such inactivity adversely impacts the Franchised Business. However, the Franchised Business 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 five business days after the initial occurrence of the event resulting in such inactivity, and Franchisee acknowledges in writing that such inactivity is due to one of the foregoing causes, and provided further that Franchisee re-establish 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 below in this Article I) and the first anniversary thereof and between each succeeding anniversary.

Assistant Manager. The term "Assistant Manager" means the individual (may be a Principal Equity Owner) who has been designated by Franchisee as a person who is authorized to assist the "General Manager" (as defined in this Article I) in the day-to-day operation of the Outlet, and who has successfully completed "Initial Training" (as defined in this Article I).

Confidential Information. The term **"**Confidential Information" means information, know-how, and materials, other than Trade Secrets, that is of value to Franchisor (or other third party, as applicable) and treated as confidential by any of the foregoing 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; (ii) all technical and non-technical information, including without limitation, information concerning finances, financing and capital raising plans, accounting or marketing, business opportunities, affiliate lists, business plans, forecasts, predictions, projections, recipes, products, research, development, and know-how; (iii) Intellectual Property, the Marks, "TEATOP Products" (as defined in this Article I), insignias, designs, and materials subject to copyright, patent, or trademark registration; (iv) 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 Proprietary Information; (v) information regarding customers and potential customers of the Franchised Business, including customer lists, names, 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; (vi) 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; (vii) information regarding personnel, including compensation and personnel files; and (viii) any other non-public information that a competitor of Franchisor could use to the competitive disadvantage of Franchisor.

Confidential Operations Manual. The term "Confidential Operations Manual" means the manual or manuals (regardless of title) containing the policies and procedures, menus, food preparation techniques and other proprietary requirements 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.

CPI. The term "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 a natural disaster (such as tornado, earthquake, hurricane, flood, fire or other natural catastrophe); strike, lockout or other industrial disturbance; war, terrorist act, riot, or other civil disturbance; epidemic; or other similar force which Franchisee could not by the exercise of reasonable diligence have avoided; provided however, 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 such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise a Force Majeure. To avoid any potential misunderstanding, Franchisee's financial inability to perform or Franchisee's insolvency will not be a Force Majeure.

Franchised Business. The term "Franchised Business" means the sale of items from a focused menu featuring TEATOP Products, as well as other authorized goods and services at the Outlet pursuant to the business methods and procedures set forth by Franchisor for the operation of such a retail business.

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

Gross Revenues. The term "Gross Revenues" means all revenues, however generated or received, derived by Franchisee from operating the Franchised Business at or through Franchisee's Outlet, excluding only applicable sales or use taxes and legitimate refunds, and not modified for uncollected accounts.

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 intangible property, including "Trade Secrets" (as defined in this Article I); inventions; pictorial, literary, graphic and photographic works of authorship; designs; symbols; and trademarks, domain names, other names and logos 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, moral rights, and mask work 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 sentence.

Marks. The term "Marks" means the proprietary marks that are 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, domain names, trade names, logos, insignias, designs and other commercial symbols which Franchisor now or hereafter are authorized to use and use or authorize others to use to identify the Franchised Business. Franchisor will list in the Confidential Operations Manual a schedule of Marks Franchisee is authorized to use under this Agreement and update this schedule as necessary.

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

Outlet. The term “Outlet” means a retail food establishment at a location that Franchisor consents to, which is 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 if 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.

Required Inventory. The term “Required Inventory” means the proprietary teas and other proprietary ingredients needed to make “TEATOP Products” (as defined in this Article I).

Suggestions. The term “Suggestions” means any new products or services, specifications, suggestions or other feedback made by Franchisee or Principal Equity Owners 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 TEATOP 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 that Franchisor makes available to Franchisee. In its 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.

TEATOP Products. The term “TEATOP Products” means a variety of teas and juice drinks, using proprietary teas, milk teas and juices, tapioca balls, recipes and preparation techniques, freshly prepared and sold to retail customers at the Outlet.

Territory. The term “Territory” means the designated and agreed geographical area surrounding Franchisee’s 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 furnishings; menus; the textures, sizes, designs, shapes, and placements of words, graphics, and decorations on products and packaging; point of purchase materials; and signs related to TEATOP Products.

Trade Secret. The term “Trade Secret” means information constituting a trade secret within the meaning of the Defend Trade Secrets Act of 2016 (18 U.S.C. § 1836, *et seq*.), as amended.

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 and its 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 franchise System under the Marks operated in accordance with the provisions of this Agreement and Franchisor's Confidential Operations Manual, as amended from time to time.

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 by conducting the Franchised Business at Franchisee's Outlet within Franchisee's Territory as described in Exhibit 1 attached hereto, in strict accordance with this Agreement and the Confidential Operations Manual, from the time of commencement of the Franchised Business 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 TEATOP franchisee to operate, or operate itself, an Outlet in Franchisee's Territory.

(b) Franchisor is executing this Agreement in reliance that the Principal Equity Owners and other individuals identified in Exhibit 2 of this Agreement are the sole holders of a legal or beneficial interest in Franchisee. Franchisor must be given prior notice in writing, together with supporting documents, if there is any proposed change of (i) the equity ownership of Franchisee, (ii) management personnel of Franchisee, or (iii) control of Franchisee's entity, or if there is any proposed corporate reorganization including any merger, sale, transfer (whether part of or whole) of the assets, business or undertakings of Franchisee. Franchisor will not unreasonably withhold its consent to any such proposed change or reorganization. However, if Franchisor rejects Franchisee's request for a proposed change or requires a variation of the proposed change, Franchisee must comply with Franchisor's decision, and Franchisee's failure to do so may result in termination of this Agreement without liability to Franchisor.

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

(d) 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 IN CONNECTION WITH ANY BUSINESSES OR SERVICES OTHER THAN THE FRANCHISED BUSINESS AT THE OUTLET WITHOUT FRANCHISOR'S EXPRESS PRIOR WRITTEN PERMISSION.

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 associated with the System, 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 ALLOWS FRANCHISEE TO OFFER TEA TOP 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 TEATOP Products at venues other than Outlets and through other channels of distribution anywhere, including within Franchisee's Territory.

3.3 Promotion and Development of Franchisee's Outlet.
Franchisee must (i) diligently and effectively promote, market and engage in the Franchised Business at its Outlet; (ii) develop, to the best of its 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 that Franchisee is licensed hereby only for the operation of the Franchised Business at and from Franchisee's Outlet and only within Franchisee's Territory. Franchisee must offer and sell at Franchisee's Outlet and in Franchisee's Territory only TEATOP Products and other goods and services that Franchisor designates as required or approved for all franchisees. Franchisor has the right to change and add other authorized goods and services that Franchisee will then be required to offer. There are no limits on Franchisor's right to make changes to the offerings, except that the additional investment required of Franchisee for equipment, supplies and inventory will not exceed $25,000 in any 12 consecutive months.

(b) Franchisee may not deliver TEATOP Products (or other products or services ordered from Franchisee's Outlet or otherwise associated with the Marks) outside Franchisee's Territory without Franchisor's prior written consent. Franchisee doing so without Franchisor's consent will be a material breach of this Agreement.

(c) 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) An executed counterpart of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by fax, 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 and Franchisee 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. Notwithstanding any statute, regulation, or other rule of law to the contrary, Franchisee agrees 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 its organizational document and by-laws, shareholders' agreement, operating agreement or other agreement between 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 TEASTAR USA LLC. 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."

IV. INITIAL AND ON-GOING PAYMENTS BY FRANCHISEE

4.1 Initial Franchise Fee.

(a) The "Initial Franchise Fee" (which includes complete initial training and review and consent to location of the Outlet) for a single franchised Outlet is $40,000.

(b) The Initial Franchise Fee (and all other payments to Franchisor for goods or services received from Franchisor before Franchisee's TEATOP location opens for business) is due and payable in full, by cashier's check or money order or wire transfer to Franchisor's bank account, when Franchisee signs this Agreement. **The Initial Franchise Fee is fully earned by Franchisor when paid.**

(c) If before Franchisee's successful completion of initial training, Franchisor decides, in its sole discretion, that Franchisee should not operate a TEATOP business, or if Franchisee does not obtain Franchisor's consent to the location of Franchisee's Outlet within 90 days after the Effective Date (see section 7.2 below), Franchisor may cancel this Agreement, without any liability to Franchisor, except that Franchisor will refund Franchisee's Initial Franchise Fee less any expenses Franchisor incurred relating to this Agreement. **Once Franchisee's initial Outlet opens for business, the Initial Franchise Fee is not refundable.**

4.2 Monthly Royalty.

(a) Beginning the first full calendar month after the Opening Date, Franchisee must pay Franchisor a monthly "Royalty" equal to the greater of (i) 5% of the Outlet's Gross Revenues during the prior month or (ii) $400.

(b) Royalties are due and payable on the third business day of each month based on the applicable Gross Revenues received from operations at the Outlet in the immediately preceding month.

(c) Royalty is fully earned by Franchisor when paid and is not refundable.

4.3 Marketing, Advertising and Promotion.

(a) Franchisee is not required to pay Franchisor any marketing, advertising or promotion fees. However, Franchisee is encouraged 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 or approved by Franchisor.

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

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

(d) With respect to regional, national or system-wide advertising, Franchisor 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 such advertising.

4.4 Performance Bond.

Before Franchisee signed this Agreement, it paid Franchisor a $10,000 to $20,000 "Security Deposit". Three business days after the Effective Date, this Security Deposit becomes a "Performance Bond". If Franchisee defaults in performance of any requirement under this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates, Franchisor may use the Performance Bond, or any portion of it, to cure the default or to compensate Franchisor for all damages or expenses Franchisor incurs because of Franchisee's default, including without limitation damages Franchisor suffers because of Franchisee's purchase of unapproved materials or use of poor quality raw material in preparing and serving TEATOP Products. Franchisor may also use the Performance Bond to pay any late charges, interest, penalties, and fees and any costs and charges due Franchisor for performing obligations that Franchisee does not perform, and which Franchisor is entitled to perform for Franchisee. If monies are owed, or become due, to Franchisor on or after termination or expiration of this Agreement for any reason, Franchisor may use all or any part of the Performance Bond to pay those sums. If Franchisor uses any part of the Performance Bond before the end of the term of this Agreement, Franchisee will have to restore the balance of the Performance Bond to $10,000 to $20,000. If Franchisee is not in default in performance under this Agreement or any other agreement with Franchisor or any of Franchisor's affiliates on the date this Agreement expires or is terminated for any other reason, Franchisor will return to Franchisee within 30 days after the expiration or effective date of termination the remaining balance of the Performance Bond, without any interest accrued or payable.

4.5 Electronic Funds Transfer.
Franchisor requires payment for Required Inventory and of Service 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 of Franchisee to implement such EFT system in strict accordance with Franchisor's instructions will constitute a material default of this Agreement.

4.6 Fees Fully Earned (No Setoffs).
All payments made by Franchisee to Franchisor pursuant to this Article IV are fully earned and non-refundable (except as provided in section 4.1(d) above) when paid. All payments to be made by Franchisee to Franchisor will made be without setoff, deduction, defense, counterclaim or claims in recoupment.

4.7 Late Fee; Interest on Delinquent Payments.

(a) Any payments for Required Inventory or Service Fees and any other fee required under this Agreement 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 18% (unless the APR allowed by the state in which the Outlet is located is limited by law to a lower APR, in which case that lower APR will apply), and Franchisee.

4.8 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.

4.9 CPI Adjustments.
Any stated dollar amount in this Agreement may be adjusted in Franchisor's discretion based on changes in the CPI since the Effective Date.

V. INITIAL TERM AND RENEWAL TERMS

5.1 Initial Term.
The initial three-year term of this Agreement (applicable solely to the Outlet franchised hereunder) commences on the Effective Date and expires on the third 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 120 days before the end of the existing term hereof, Franchisee may renew its rights granted under this Agreement for additional three-year terms 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 that Franchisee is able to pay its debts as and when promised by Franchisee and that Franchisee has assets that are greater than its debts), (ii) not have abandoned the Outlet, (iii) not be operating the Franchise in a manner that endangers public health or safety or materially harms the TEATOP brand or reputation, (iv) have complied with the requirement to buy required components of TEATOP Products only from Franchisor or specific sources designated by Franchisor, and (v) not have knowingly submitted false or incomplete reports to Franchisor during the initial 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 who meets 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 Franchisor's 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 its franchisees; and

(B) The failure to renew is not to convert the business conducted by Franchisee pursuant to this Agreement to operation by Franchisor's employees or agents 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 reasonable judgment, to have a materially adverse effect on the Marks, the System or the goodwill associated with the Marks or System.

(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 is 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, when 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 two-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 Franchisee's Outlet as are reasonably necessary so that they are substantially consistent with the then current System requirements, and so that they can accommodate new TEATOP Products, if any. Franchisee must also bring Franchisee's Outlet and equipment, materials and supplies into compliance with the standards then applicable to new TEATOP franchises.

(g) Franchisee is not obligated to pay any renewal fee for an additional term.

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, or in lieu of formal renewal of the Franchise, Franchisor may extend this Agreement on a month-to-month basis by notifying Franchisee Franchisor is doing so. Said month-to-month extension will continue until Franchisor gives Franchisee at least a 30 day notice that the Franchise rights must be formally renewed in accordance with section 5.2 or the 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 of paramount importance that Franchisee's General Manager, Assistant Manager and Principal Equity Owners (the General Manager and Assistant Manager may be Principal Equity Owners) understand the Franchised Business and the System, and that Franchisee's General Manager and Assistant Manager have been trained how to operate the Franchised Business. Accordingly, Franchisor will provide to Franchisee's General Manager, Assistant Manager, at least one of Franchisee's Principal Equity Owners, an initial training program, providing an orientation to the System and instruction on how to operate the Franchised Business (collectively, "Initial Training"). Before the grand opening of the Outlet, Franchisee's General Manager must complete 30 days of training in Taiwan. Just after the grand opening of the Outlet, Franchisor's training manager will provide one to two weeks of additional training at Franchisee's Outlet. Franchisee may not open and operate the Franchised Business at the Outlet until Franchisee's General Manager and Assistant Manager satisfactorily complete Initial Training. Franchisee acknowledges and agrees that only Franchisor may determine whether or not Franchisee and its General Manager and Assistant Manager satisfactorily completed Initial Training.

(b) The failure of Franchisee's designated General Manager and designated Assistant Manager to complete Initial Training to Franchisor's satisfaction will be grounds for termination of this Agreement; provided, however, that before this Agreement is so terminated, Franchisee's General Manager and/or Assistant Manager who fails to successfully complete Initial Training will have the opportunity to either retake the Initial Training or Franchisee may designate one replacement for the Initial Training program.

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

(d) All costs and expenses (including travel, hotel and meal) 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 Franchised Business.

6.2 Training and Assistance after Opening.

(a) After Franchisee opens and begins operating its Outlet, Franchisor will provide Franchisee with access to, list Franchisee's Outlet on, and integrate other information about Franchisee's Outlet into, the TEATOP U.S.A. website, which may include access to a password protected, digital copy of the Confidential Operations Manual (any future updates or modifications to Franchisee's presence on the TEATOP website may be at Franchisee's cost and expense).

(b) After Franchisee opens the Franchised Business, Franchisor will provide Franchisee with telephone and e-mail assistance at Franchisee's request or otherwise as Franchisor deems necessary to instruct in all phases of the operation of the Franchised Business. Franchisor's representatives may visit Franchisee's Outlet from time to time, but the frequency and duration of any such visits by Franchisor's representatives is in Franchisor's sole discretion. In addition, representatives of Franchisor will be available on an ongoing basis at Franchisor's international headquarters for consultation and guidance with respect to the operation and management of the Franchised Business. Franchisor does not provide Franchisee with assistance in contracting with agents or hiring employees.

(c) After Franchisee opens its Outlet, and upon reasonable notice, Franchisor may require attendance 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) that Franchisor deems to be relevant or appropriate to the operation of the Franchised Business. Franchisee specifically agrees that only persons trained by Franchisor or under Franchisor's supervision will have overall responsibility for the operation of the Outlet and Franchised Business, and that Franchisee will send its General Manager to Franchisor for additional training if Franchisor requests this. Franchisor may at its discretion charge Franchisee an additional training fee of up to $750 per day for TEATOP training courses, seminars, conferences or other programs that Franchisor requires Franchisee or Franchisee's representatives to attend.

(d) Franchisor may but is not required to make available to Franchisee optional staff training courses, coaching and business mentoring programs, seminars, conferences, or other programs, in a suitable location selected by Franchisor. Franchisor may at its discretion charge Franchisee a separate fee of up to $750 per day for this optional training.

(e) 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.

(f) All costs and expenses (including travel, hotel and meal) 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 Franchise.

(g) In the event of a Transfer of the Franchise (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 opened or re-opened by the transferee until Franchisor accepts the transferee in writing as being qualified to operate the Franchise 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 system-wide or national meeting to discuss TEATOP 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, hotel 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 that may be coordinated by Franchisor.

6.4 Proprietary Materials.
At Initial Training and other training programs and conferences, Franchisor may provide Franchisee with Proprietary Information, as well as training materials, training curricula and related materials for Franchisee's use in training Franchisee's staff. All of these items are and will remain Franchisor's sole and exclusive property. To the extent that Proprietary Information is furnished in a printed "hard" copy rather than electronically, Franchisee will only grant authorized personnel access to the Proprietary Information and take adequate precautions to ensure that the Proprietary Information is kept in a locked receptacle at the Outlet when not in use by authorized personnel. To the extent that the Proprietary Information is furnished in electronically or in an equivalent format, Franchisee will only share the access password with authorized personnel. Franchisee will promptly notify Franchisor if any part of its Proprietary Information that is maintained in a tangible media is lost or destroyed for any reason. Franchisee must not, nor allow its employees or others to, copy, reproduce, disseminate or otherwise reveal to third parties any Proprietary Information and related materials, without Franchisor's express prior written consent.

VII. OPENING OF OUTLET AND FRANCHISED BUSINESS

7.1 Franchisee's Outlet.
The Franchised Business may only be operated from Franchisee's Outlet. If Franchisee's Outlet has not been identified when Franchisee signs this Agreement, the exact location of Franchisee's 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 service of TEATOP customers, Franchisee may not cater or deliver TEATOP Products outside Franchisee's Territory without Franchisor's prior written consent.

7.2 Building Out Franchisee's Outlet.

(a) Premises acceptable to Franchisor where Franchisee's Outlet will be operated should be located and secured by Franchisee and reviewed and consented to by Franchisor within 90 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 Franchisee has not located a site for Franchisee's Outlet that is acceptable to Franchisor within 365 days after the Effective Date, Franchisor may cancel this Agreement on the basis of Franchisee's failing to find an acceptable site and if Franchisor does so, 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.

(b) Franchisee must configure and equip an Outlet (and commence operation of the Franchised Business there) within 180 days after Franchisor approves the Outlet premises, using architects, project managers, contractors, subcontractors, architectural plans (the architectural plans provided by Franchisor's architect are prepared as a "work for hire" and as such Franchisor is the owner of such plans and asserts a copyright regarding such plans) and key equipment suppliers designated by Franchisor (or one of Franchisor's affiliated companies) or otherwise reasonably acceptable to Franchisor. If after Franchisee has located and secured suitable premises (that Franchisor consents to) for its Outlet, Franchisee has not commenced operation of the Franchised Business within 365 days after the Effective Date, Franchisor may terminate this Agreement effective on written notice and if Franchisor does so, Franchisee will not be entitled to receive any refund of the Initial Franchise Fee. Franchisor may give Franchisee an extension of time to open the Outlet beyond the mandatory dates specified above in this section 7.2(b) if Franchisor deems in its sole discretion that Franchisee has made a diligent effort to open but was unable to do so due to reasons beyond Franchisee's reasonable control.

(c) Franchisor does not assist Franchisee in the site selection process and Franchisee has the sole responsibility for locating, securing, and obtaining suitable premises for Franchisee's Outlet. However, Franchisor reserves the sole right of final review and consent to any location of the Outlet.

(d) in Franchisor's sole discretion, Franchisee and Franchisee's landlord may be required by Franchisor to execute a rider to Franchisee's lease, or other agreement or written understanding 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 default of either the lease for the Outlet premises (including an obligation of the landlord to notify Franchisor if Franchisee is in such default) or this Agreement, (ii) grants Franchisor the right to assign the lease to a *bona fide* franchisee of the System after assuming the lease, (iii) addresses other reasonable requirements relating to restaurant operations, and (iv) 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.

(e) Franchisor has the right to regularly inspect Franchisee's Outlet and any other site where Franchisee conducts the Franchised Business.

7.3 Inventory, Fixtures and Equipment.

(a) Throughout the term of this Agreement, Franchisee must maintain the minimum amount of Required Inventory of TEATOP Products and other supplies as specified in the Confidential Operations Manual. Within the timeframes that Franchisor specifies before the Opening Date, Franchisee must also 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 TEATOP Products to Franchisee's customers, (ii) number of pieces of required fixtures and equipment, and (iii) additional 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.

(b) 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.

(c) 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 reputable suppliers, with delivery scheduled for not later than two weeks before the Opening Date.

(d) 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 and delivery areas of other TEATOP franchised outlets as market conditions or type of media warrant, all in Franchisor's sole discretion. . Franchisee may not directly promote, advertise or otherwise market the Outlet outside the 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, and subject to applicable state law and regulations, Franchisee must be, or employ, a General Manager and Assistant Manager who will devote their entire time during normal business hours, as defined in the Confidential Operations Manual, to the management, operation and development of the Franchised Business. The General Manager must ensure that Franchisee fulfills its obligations to Franchisee's customers in a timely and professional manner and he or she may not engage in any other business requiring his or her active participation during normal business hours. The Assistant Manager will assist the General Manager as directed in managing and operating the Outlet. If neither the General Manager nor the Assistant Manager is a Principal Equity Owner, at least one Principal Equity Owner must directly oversee or participate personally in the operation of the Outlet.

(b) Franchisee understands and agrees that the maintenance of the quality of the TEATOP Products offered by each TEATOP 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 TEATOP franchisees are licensed to operate. Franchisee therefore agrees to only provide at its Outlet TEATOP Products that are properly prepared in accordance with Franchisor's confidential recipes and procedures. Franchisee must only sell to customers at Franchisee's Outlet TEATOP Products and other food and beverage items that are 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 Outlet in accordance with this Agreement and the Confidential Operations Manual (as amended from time to time by Franchisor). Franchisee must only operate the Franchised Business at Franchisee's Outlet, 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 supplies and Required Inventory to properly operate Franchisee's Outlet. 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 that Franchisee comply with the methodology Franchisor prescribes in providing TEATOP Products to customers. To enhance uniformity in the delivery of goods and services to retail customers by Franchisor's franchisees and the strength of Franchisor's Marks in inter-brand competition, and subject to applicable antitrust laws, Franchisor may recommend retail prices for specific TEATOP Products and other products and services Franchisor authorizes for sale at Franchisee's Outlet. If Franchisor does so, Franchisee 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.

(d) Franchisee's Outlet must be open during the normal business hours that apply to the premises where the Outlet is located. The obligation to remain open will not apply if Franchisee is subjected to an event of Force Majeure.

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

(f) Franchisee must comply with all health, administrative and governmental regulations relating to the storage, sale and shipment of TEATOP Products. Franchisee must notify Franchisor in writing within 10 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 Franchised Business or that may adversely affect Franchisee's operations at the Outlet or Franchisee's ability to meet its obligations hereunder.

(g) Upon the occurrence of any event that occurs at the Outlet or in the Territory that has caused or may cause harm or injury to customers or employees, or that may damage the System, Marks, or image or reputation of the Franchised Business or Franchisor or its 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 with respect to Franchisor's response to an incident described in this section 8.1(g).

(h) 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) Franchisee may not engage in any co-branding in the Outlet or otherwise in connection with the Franchised Business except with Franchisor's prior written consent. 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. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated within Franchisee's Outlet or the Franchised Business Franchisee operate in Franchisee's Territory or is adjacent to Franchisee's Outlet and operated in a manner which is likely to cause the public to perceive it to be related to the Outlet and Franchised Business licensed to Franchisee hereunder.

(j) 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.

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. To the extent that the Confidential Operations Manual is furnished in a printed "hard" copy rather than electronically, Franchisee will only grant authorized personnel access to the Confidential Operations Manual and take adequate precautions to ensure that the Confidential Operations Manual is kept in a locked receptacle at the Outlet when not in use by authorized personnel. To the extent that the Confidential Operations Manual is furnished in electronically or in an equivalent format, Franchisee will only share the access password with authorized personnel. Franchisee will promptly notify Franchisor if any part of the Confidential Operations Manual that is maintained in a tangible media is lost or destroyed for any reason.

(b) Franchisee must keep the Confidential Operations Manual confidential and current, and the master copy of the Confidential Operations Manual maintained by Franchisor at its principal office will control in the event of a conflict related to the contents of the Confidential Operations Manual. 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 the digital copy maintained on Franchisor's website is changed.

(c) All additions, deletions or modifications to the Confidential Operations Manual are equally applicable to all similarly situated TEATOP franchisees. As modified by Franchisor from time to time, 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 modified or amended by Franchisor from time to time, will not alter Franchisee's fundamental status and rights under this Agreement. If there is any discrepancy or dispute about the version of the Confidential Operations Manual that Franchisee may have printed and maintain, the master copy of the Confidential Operations Manual that Franchisor maintains at its headquarters and available on Franchisor's website will be the controlling version and will supersede all prior versions.

(d) 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 material breach of this Agreement and all other agreements Franchisee has with Franchisor and its affiliated entities.

(e) Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee must immediately return to Franchisor any printed portions of the Confidential Operations Manual then in Franchisee's 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 Franchised Business. Franchisee must also permanently erase anything relating to Franchisor's Trade Secrets or other Proprietary Information from any computers and other media storage devices Franchisee retains 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 all losses, damages, costs or expenses, including reasonable attorneys' 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. Franchisor may change the standard menu format at any time and from time to time.

(b) Franchisor is entitled to prescribe standard uniforms and attire for all of Franchisee's TEATOP personnel in order to enhance the customer experience at the Outlet and to protect Franchisor's reputation for quality service. Franchisee is required to obtain such uniforms and attire only from an e-store set up by Franchisor's affiliates or from other 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 Franchisee's 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, the architectural plans and the Confidential Operations Manual as it may be revised from time to time, and as Franchisor may otherwise direct in writing. In order that Franchisor may establish and maintain 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.
Franchisee is required to use and maintain the specific computerized point of sale cash collection system and integrated business computer ("POS System") that is provided by Franchisor's affiliate (for as otherwise required or recommended by Franchisor). Franchisor may also require that Franchisee acquire and use a suitable computer system to manage and record its sales and operations.

8.5 Maintenance of 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 TEATOP 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 TEATOP Products) and that, as a result of its appearance or condition, the Outlet is either (i) not adequately positioned to promote and sell TEATOP Products as then required or (ii) damaging the integrity of the TEATOP image, brand or Marks.

8.6 Relocation of Franchisee's Outlet.

(a) If Franchisee desires to relocate the Outlet, Franchisee may do so provided that not less than 90 days prior to the desired date of relocation (unless prior notice is impractical because of a required relocation in which event notice must be given as soon as possible), Franchisee makes a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location.

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

(c) 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 default of either the lease for the relocated Outlet premises (including an obligation of the landlord to notify Franchisor if Franchisee is in such default) 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 if 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) Franchisee agrees to track, account for and report if requested by Franchisor on the financial performance of the Franchised Business.

(b) All financial or statistical information Franchisee provides to Franchisor must be accurate and correct in all material respects.

(c) Franchisor has the right to use any financial or statistical information that Franchisee provides Franchisor, as Franchisor deems appropriate. Franchisor will not identify Franchisee, Franchisee's 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.

(d) 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.
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.

8.9 Telephone Numbers.
At its sole expense, Franchisee must list the telephone number for Franchisee's Outlet in accordance with procedures prescribed by the Confidential Operations Manual. At the time of termination or expiration of this Agreement, for any reason, Franchisee must transfer the telephone numbers for Franchisee's 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 and other insurance that is legally required or reasonably prudent for Franchisee to operate Franchisee's business (for example, workers' compensation insurance). Policy coverage requirements and limitations and other terms relating to insurance may be set forth in the Confidential Operations Manual. Any policies of insurance that Franchisee maintains must contain a separate endorsement naming Franchisor and the Owner of the Marks (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, the Owner of the Marks, 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, the Owner of the Marks, 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. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII or better and authorized to do business in the state where the Franchisee's Outlet is located, unless otherwise approved in writing by Franchisor.

(b) Within 30 days after the Opening Date and within 30 days after each succeeding anniversary of the Opening Date, Franchisee must 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 regarding any cancellation, non-renewal or reduction in coverage or limits.

(c) The failure of Franchisee, for any reason, to procure and maintain the insurance coverage required under this Agreement will be deemed 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 TEATOP Products or any other offices relating to Franchisee's conduct of the Franchised Business) to review and inspect Franchisee's operations, business methods, service, management and administration relating to the Franchised Business or its equivalent, 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 and specified in the Confidential Operations Manual.

(b) Franchisor or Franchisor's designated agents also have the right at all reasonable times, 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 18% (or the highest APR rate 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 Franchisee's Outlet (or any other facility from which Franchisee sells TEATOP 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 TEATOP 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 Franchisee's Outlet. Franchisee may not register an Internet domain or social networking media outlet name using any of the Marks.

(b) All domain names used by Franchisee must be pre-approved by Franchisor who will control the usage and right to use of all domain names. Upon termination or expiration of, or transfer of the rights and obligations granted under, this Agreement, Franchisee will have no further need or right to use these domain names.

(c) 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, are 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 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. 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 in connection with the operation of any business or other activity that is 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 its employees and agents to insure the proper use of the Marks in compliance with this Agreement.

(b) Franchisee acknowledges and agrees Franchisee's use of the Marks is a temporary authorized use under this Agreement and that the Owner of the Marks retains all ownership interests in the Marks and that the Owner of the Marks retains all ownership of the goodwill generated by the Marks. Franchisee acknowledges that the use of the Marks 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 that as between Franchisee and Franchisor, all rights to use the Marks 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 by Franchisee's franchised 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 that during the term of the Franchise, and after the repurchase, 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 take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Marks.

(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, TEATOP Products, any TEATOP Outlet and the System, without any form of compensation or remuneration. Franchisee also agrees (i) to have any affected employee of Franchisee who is not a Principal Equity Owner sign a release in the form contained in the Confidential Operations Manual authorizing Franchisor to also use the employee's name, image and likeness for the purposes described in this section 9.1(d), without compensation or remuneration, and (ii) to provide Franchisor with a copy of such signed release. The terms of this section 9.1(d) survive termination or expiration of this Agreement.

[Franchisee's Initials: _______]

(e) Franchisee acknowledges that Franchisor prescribes uniform standards respecting the nature and quality of TEATOP 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 agrees that all of Franchisee's use of the Marks under this Agreement inures to Franchisor's benefit and the benefit of the Owner of the Marks.

(f) Franchisee agrees that all materials associated with Franchisor, TEATOP 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. 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 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 because 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 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 anywhere.

(g) If necessary, Franchisee agrees to join with Franchisor and share the expenses in any application to enter Franchisee as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination, expiration or cancellation of this Agreement for any reason whatsoever, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee hereby consents to the cancellation and agrees to join in any cancellation petition. Franchisee will bear the expense of any cancellation petition.

9.2 Franchisee's Business Name.

(a) In connection with Franchisee's operation of the Outlet, Franchisee agrees that 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 "TEATOP" and authorized by Franchisor ("Business Name") together with the words "INDEPENDENTLY OWNED AND OPERATED" on Franchisee's letterhead, contract agreements, invoices, authorized social media or Internet sites, 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 has 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 does 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, 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 and not an individual proprietor, Franchisee cannot use any of the Marks in its legal name.

9.3 Trade Secrets and Proprietary Information.

(a) Under this Agreement, Franchisor is licensing Franchisee access to Franchisor's Proprietary Information, Trade Secrets and 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, 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, including Franchisor's Trade Secrets; that such information is being imparted to Franchisee only by reason of Franchisee's special status as a franchisee of the System; and that Franchisor's Proprietary Information is not generally known to Franchisor's industry or the public at large and are not known to Franchisee except by reason of such disclosure. To the extent that Trade Secrets are furnished in a printed "hard" copy rather than electronically, Franchisee will only grant authorized personnel access to the Trade Secrets and take adequate precautions to ensure that the Trade

Secrets are kept in a locked receptacle at the Outlet when not in use by authorized personnel. To the extent that the Trade Secrets are furnished in electronically or in an equivalent format, Franchisee will only share the access password with authorized personnel. Franchisee will promptly notify Franchisor if any part of its Trade Secrets that is maintained in a tangible media is lost or destroyed for any reason. Franchisee further acknowledges that Franchisee will acquire no interest in the Proprietary Information and Trade Secrets disclosed to Franchisee, other than the right to use them in the development and operation of the Franchised Business during the term of this Agreement.

(c) Franchisee agrees that Franchisee 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 that Franchisee will use these only for the uses and in the 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 that impairs the goodwill associated with the Marks.

(d) Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from and against all "Losses" (as defined in section 16.2 below), which Franchisor may sustain as a result of any unauthorized use or disclosure of Proprietary Information or Marks by Franchisee or its employees and agents. Franchisee further agrees and acknowledges that the disclosure or use of Proprietary 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, but not limited to monetary damages.

(e) 18 USC 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).

9.4 Modification of Marks and Trade Dress.
Franchisor may add to, substitute or modify any or all of the 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 must within 30 days of receiving notification, commence to implement such changes and use 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 becomes 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 must notify Franchisor within 10 days of any such claim, suit, demand or misuse. Franchisee 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 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 will indemnify Franchisee and hold Franchisee harmless from and against any and all judgments resulting from any claim, suit or demand arising from Franchisee's authorized and use of the Marks or Franchisor's Intellectual Property in accordance with the terms of this Agreement. 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 Marketing and Promotion of the Brand.

(a) Franchisor may, but is not obligated to, expend amounts on 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, and on regional, local or national media or other marketing techniques or programs designated to promote the retail sale of TEATOP Products, the Marks and other aspects of the TEATOP brand, creative and production costs, and for other purposes deemed appropriate by Franchisor to enhance and promote the general recognition of TEATOP franchises.

(b) Franchisor may, but is not obligated to, expend additional amounts on branding and marketing studies, initiatives and research; test marketing new products or concepts; franchisee compliance with System standards and practices through a "mystery shopper" program; the development of marketing strategies, tools, initiatives, and materials; public relations; and market research.

10.2 Advertising Content and Costs.
With respect to all regional, national or system-wide advertising, Franchisor 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 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, including, without limitation, information regarding TEATOP Products and 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 TEATOP 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 that Franchisee maximizes the Franchised Business within the Territory, and any action of Franchisee that diverts business to another entity or diminishes the Franchised Business being conducted 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 or 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 one year after termination or cancellation of this Agreement or its expiration without renewal pursuant to section 5.2 of this Agreement ("Expiration Date"), Franchisee agrees it will not (either directly or indirectly, for itself or themselves, 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 or otherwise), or engage in, any competing business selling goods or offering services equivalent to TEATOP Products or the Franchised Business, within a radius of 25 miles of Franchisee's Territory or any other authorized retail location selling TEATOP Products, without Franchisor's express prior written consent, which consent may be withheld in Franchisor's sole and absolute discretion. Following termination, cancellation or expiration of this Agreement, Franchisee must always refrain from any use, direct or indirect, of any Proprietary Information.

(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 section 11.2(a) 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 that the restrictions contained in this Article XI are reasonable and necessary in order 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, Service Fees and other fees that would have been payable if such business were included in the Franchised Business, and an equitable 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 Franchisor and hold Franchisor harmless from and against all Losses which Franchisor may sustain because 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's General Manager, Principal Equity Owners and each of Franchisee's other managers, directors, officers, general partners and affiliates.

(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 by (i) the maximum duty permitted by law with respect to that provision, which will be deemed restated accordingly, and (ii) 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 to any other person, firm or corporation ("Franchisor's Assignee"); provided that, in respect to any Transfer ("Assignment by Franchisor") resulting in the subsequent performance by Franchisor's Assignee of the functions of franchisor hereunder (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 must expressly assume and agree to perform such obligations. If there is an Assignment by Franchisor in compliance with the terms set forth in the preceding sentence, Franchisor will be relieved of all obligations or liabilities after the effective date of the assignment.

12.2 Assignment by Franchisee.

(a) This Agreement is being executed in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee and its Principal Equity Owners and the trust and confidence Franchisor reposes in Franchisee and in them. Therefore, neither Franchisee's interest in this Agreement and the Franchise granted hereunder, nor more than 50% of the equity interest in Franchisee (if Franchisee is an entity), nor all or substantially all of the assets of the Franchised Business, nor any controlling interest or non-controlling interest in the Franchised Business 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, except for any transfer of a non-controlling interest, 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, the Outlet, all or substantially all the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business. The notice must be in writing, delivered to Franchisor in accordance with section 16.1 hereof and include the following:

(i) The name and address of the proposed assignee (“Franchisee’s Assignee”);

(ii) If requested by franchisor, a copy of all agreements related to the sale, assignment, or transfer of the Franchise, the assets of the Franchised Business, or the interest in the Franchised Business; and

(iii) Franchisee’s Assignee’s application for approval to become the successor franchisee. The application must include all forms, financial disclosures and related information generally used by Franchisor when interviewing prospective new franchisees if those forms are readily made 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 Franchisee’s Assignee’s application, Franchisor will notify Franchisee and Franchisee’s Assignee, in writing, 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 Franchised Business, or the controlling or non-controlling interest in the Franchised Business, 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 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 its right of first refusal, or should such right of first refusal be inapplicable, as herein provided, 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 will 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) 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 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 or, in Franchisor’s sole discretion, for the initial term of the then current form of Franchise Agreement (unless Franchisor has a reasonable basis not to allow this, Franchisee may elect to have Franchisee’s Assignee assume this Agreement for the remainder of its term);

(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 that (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 Franchisee's Assignee's General Manager and other necessary personnel within 30 days after the execution by Franchisee's Assignee of a Franchise Agreement, provided, however, that Franchisee's Assignee must agree to pay for all of their expenses incurred in connection therewith, including any fee Franchisor charges for training (at the rate in effect at the time of transfer), travel, hotel and meal expenses; and

(vii) Not later than 10 days before the transfer, Franchisee must pay Franchisor a non-refundable "Transfer Fee" of $25,000 (the Transfer Fee is not payable if Franchisor exercises its right of first refusal pursuant to section 12.3 of this Agreement). The Transfer Fee is subject to adjustment in Franchisor's discretion 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 will not be unreasonably withheld.

(e) Any attempt by Franchisee to assign or any purported Assignment by Franchisee 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 Franchisee's 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) enter into 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 a Small Business Administration 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 of the 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 TEATOP 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 that 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 consent 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 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 that adequate 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, 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 that adequate 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) 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. Also, Franchisee acknowledges and agrees that any Transfer to an affiliate will not relieve 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 holding a majority equity interest in the franchisee entity ("Majority Equity Owner") if Franchisee is an entity (corporation, limited liability company or partnership), the transfer of Franchisee's or the deceased Majority Equity Owner's interest in this Agreement to his or her heirs, personal representatives or conservators, as applicable, will not be deemed an Assignment by Franchisee provided that a responsible management employee or agent of Franchisee that has been satisfactorily trained by Franchisor will be responsible for the Franchised Business.

(b) In the event of the death of a sole proprietor Franchisee 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 as soon as practicable (but not more than 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 Outlet on Franchisee's behalf for a period of up to 90 days, renewable as necessary for up to one year and Franchisor will periodically discuss the status with the heirs of the decedent. For such management assistance, Franchisee or the successor in interest must pay a reasonable *per diem* management fee/charge to Franchisor for serving as the interim manager.

(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) and (to the extent applicable) section 12.2(c) 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 of Franchisor 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 or an Principal Equity Owner may consummate any Transfer of a direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or any equity interest in Franchisee's franchised entity, not permitted by the preceding sections 12.4, 12.5 and 12.6, only after written notice to Franchisor and only with Franchisor's written consent, which will not be unreasonably withheld. Franchisor will exercise Franchisor's good faith business judgment in determining whether to give or withhold Franchisor's consent to a Transfer under this section 12.7. Such exercise of good faith business judgment may include Franchisor's consideration of certain skills and qualifications of the prospective transferee which are of business concern to Franchisor, including without limitation, the following: experience in businesses similar to the Franchised Business, financial and operational skills and qualifications, economic resources, reputation and character of such prospective transferee; the ability of such prospective transferee to fully and faithfully conduct the Franchised Business as contemplated by this Agreement; and the effect that the Transfer and the prospective transferee will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the System or Franchisor or any of Franchisor's affiliates.

XIII. DEFAULT AND TERMINATION

13.1 General.

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

(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.

(d) 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.

13.2 Immediate Termination.

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

(i) Franchisee admits its inability to pay its debts as they come due, or Franchisee or the business to which the Franchise relates (A) has been the subject of an order for relief in bankruptcy, (B) is judicially determined to be insolvent or (C) has all or a substantial part of its assets assigned to or for the benefit of any creditor.

(ii) Franchisee Abandons the Franchise by failing to operate the Outlet for five consecutive business days during which Franchisee is required to operate the business under the terms of this Agreement, 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 Franchisee's control.

(iii) Franchisor and Franchisee agree in writing to terminate the Franchise.

(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 business 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) after curing any failure in accordance with section 13.3 below, Franchisee engages in the same noncompliance whether or not such noncompliance is corrected after notice.

(vii) Franchisee repeatedly fails to comply with one or more material requirements of this Agreement, whether or not corrected after notice.

(viii) the Franchised Business or the business premises of the Franchise are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lien holder or lessor, provided that a final judgment against Franchisee remains unsatisfied for 30 days (unless an appeal bond has been filed); or 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.

(x) an audit or investigation conducted by Franchisor (A) discloses that Franchisee knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated Franchisee's Gross Revenues or withheld the reporting of any of Franchisee's Gross Revenues, or (B) reveals an underreporting or under recording error on any single occasion of 5% or more.

(xi) Franchisor makes a reasonable determination that Franchisee's continued operation of the Franchise will result in an imminent danger to public health or safety.

(b) The parties recognize that some breaches may involve conduct which undermines the basis for the Agreement such that the expectation of full and proper contract performance cannot be restored, even if the specific activity giving rise to the claim of breach has ended. In such cases, no period of "cure" will be required. However, the termination will not take effect for 10 days to enable the parties to consider whether other alternatives may be possible.

(c) 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 default. Upon receipt of a notice of default, Franchisee must immediately commence diligently to cure said breach, and if Franchisee cures said breach within 30 days, Franchisor's 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 default 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, upon condition that Franchisee must, upon receipt of such notice from Franchisor, immediately commence to cure such breach and continue to use Franchisee's best efforts to do so.

(b) If Franchisee's rights under this Agreement are terminated by Franchisor for material breach, Franchisor may, at its option, declare Franchisee in default of all of the other franchise agreements or other agreements Franchisee has 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 Franchisee's 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.

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

(e) If Franchisee and Franchisor agree to mutually terminate this Agreement, Franchisee must return a signed counterpart of any document Franchisor prepares to effect the termination not later than 10 days after Franchisee receives it, or the mutual agreement to terminate will be voidable by Franchisor, and Franchisor may thereafter immediately and unilaterally terminate this Agreement and require payment of all sums due and payable to Franchisor at the date of termination.

13.4 Description of Default.
The description of any default in any notice served by Franchisor hereunder upon Franchisee in no way precludes Franchisor from specifying additional or supplemental defaults 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 the law or regulation.

13.6 Extended Cure Period.
Notwithstanding anything contained herein to the contrary, including, without limitation, 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 its 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 that 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.
In addition to all other remedies herein granted, if Franchisee defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement involving third parties, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Franchisee, cure the default for Franchisee's account and on Franchisee's behalf, and all costs or expenses including attorney's fees incurred by Franchisor on account thereof will be due and payable by Franchisee to Franchisor on demand.

13.8 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 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 its right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.9 Collection Costs.
Franchisor is entitled to reimbursement from Franchisee upon Franchisor's demand of all costs Franchisor has incurred (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.

13.10 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 a view to 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. 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 another 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 14.2.

(b) All hearings and other proceedings will take place at the JAMS business location in Orange County, California, or other county where Franchisor's headquarters is then located, or if Franchisor so elects, at the JAMS business location nearest where Franchisee'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 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 and will remain in full force and effect after expiration or termination of this Agreement.

(g) The provisions of this section 14.2 will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, 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 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 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 TEATOP brand or any other name or in any manner that might tend to give the general public the impression that Franchisee is in any way associated or affiliated with Franchisor, 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 Franchisee's 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 franchised Outlet (and the physical address of the former Outlet) and all use of former reviews from the period Franchisee was a TEATOP 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 Franchisor's 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 also promptly:

(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 of Franchisee that states or implies 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 listings applicable to the Outlet in use at the time of such termination to Franchisor and take all action necessary to change all such telephone numbers immediately and change all such 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 Franchisee's 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; and 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 has used that contains any of the Marks.

15.2 Franchisor's Rights.

(a) The termination, cancellation, expiration or assignment of this Agreement will be without prejudice to any of Franchisor's rights 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 Franchisor which, by their nature, survive the termination, cancellation, expiration or assignment of this Agreement.

(b) Franchisor may direct that all applicable suppliers immediately cease providing Franchisee with equipment, inventory, marketing materials, email access, website access, accessories and other items comprising or to be used to provide TEATOP Products.

(c) Franchisee is obligated to return, at no expense to Franchisor, any and all copies of the Confidential Operations Manual and all other TEATOP proprietary materials and any other items that were supplied by Franchisor for Franchisee's use without additional charge 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 retains 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 overnight courier, for delivery on the next business day and addressed as follows:

(i) If to Franchisor:

TEASTAR USA LLC
19 DEL CARLO
IRVINE, CA 92606-8823
Phone: 1-949-558-9799

(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 the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next 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 overnight courier 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 nonrenewal 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 negligence, or the intentional tort or 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 default 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; provided, however, 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 of 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 on account of insurance in respect of 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 and Franchisor agree to file their own tax, regulatory and payroll reports with respect to their respective employees or agents and operations.

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 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 Franchisee 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 both 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 it nor any Principal Equity Owners or employees of Franchisee, nor anyone else 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 that it has no knowledge or information that, 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 certifies, represents and warrants 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 that its indemnification responsibilities as provided in this Agreement also pertain to its 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 employee of either 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 that Franchisee is not directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States of America, nor does Franchisee or any Principal Equity Owner act directly or indirectly on behalf of the government of any country that is subject to an embargo imposed by the United States of America. Franchisee agrees that Franchisee will notify Franchisor in writing immediately of the occurrence of any event that renders 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 of the 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.

(b) In accordance with the foregoing section 16.14(a), the parties to this Agreement agree that this Agreement, and the Confidential Operations Manual, constitutes the entire agreement between the parties and contain all of the 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; provided however, that nothing in this Agreement or in any related agreement or writing is intended to disclaim the representations made in the TEATOP franchise disclosure document ("FDD") that was provided to Franchisee. No statement, questionnaire, or acknowledgment signed or agreed to by 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 Franchisor. This provision supersedes any other term of this Agreement and any other document executed in connection with the TEATOP franchise.

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

XVII. EFFECTIVENESS OF AGREEMENT

This Agreement will become effective only upon the execution thereof by Franchisee and by Franchisor. 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 section 18.1 are true and accurate.

(b) Franchisee understands and acknowledges the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Confidential Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Confidential Operations Manual.

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

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

(e) 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.

(f) Franchisee and its Principal Equity Owners obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement.

(g) Franchisee is aware that other TEATOP franchisees may operate under different agreements and, consequently, that Franchisor's obligations and rights as to those franchisees may differ materially in certain circumstances.

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

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

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

(a) Franchisee must fully complete the schedule attached as Exhibit 2 with required information about Franchisee's Principal Equity Owners.

(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:

____

____.

This Agreement may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

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:

TEASTAR USA LLC

By: ______________________________
Kuo-Chen "David" Yang
Chief Executive Officer

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.

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 Teastar USA LLC ("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 laws of the state where the Outlet 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.

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 Orange or the United States District Court for the Central District of California. Guarantors hereby 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 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.

This Guarantee may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

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

TEATOP

AREA DEVELOPMENT AGREEMENT

EXHIBIT A-2

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AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("Agreement") is made and executed on _______________, 20__ (the "Effective Date") by and between Teastar USA LLC, a limited liability company doing business as "TEATOP" ("Franchisor") and ____ ("Franchisee").

Franchisor is the franchisor of the TEATOP 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 TEATOP franchised business at a retail outlet location that Franchisor has consented to ("Outlet"), providing "TEATOP Products" (as defined in the Franchise Agreement) to retail customers under the TEATOP trademarks and in accordance with Franchisor's 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 to, 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 terminates, Franchisor will not itself operate an Outlet within the geographical area (the "Development Area") indicated in the Development Schedule, nor allow any of its affiliates, or other TEATOP franchisees, to do so.

(c) Franchisee's rights to open and operate Outlets under this Agreement do not extend to a "Special Outlet" (defined as a business operated under the "TEATOP" marks that is located within another primary business or in conjunction with other businesses or at institutional settings, including toll roads, 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 unless a state or federal court issues an order otherwise.

1.2 Franchise Agreements.

(a) When Franchisee (or its affiliated entity) opens an additional Outlet under the Development Schedule, Franchisee (or its affiliated entity) must execute 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 the first Franchise Agreement Franchisee (or its affiliated entity) executed with Franchisor). So long as Franchisee is in good standing under this Agreement, Franchisee (or its affiliated entities) 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 protected "Territory" of the Outlet (a defined area surrounding the Outlet) 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 termination as provided in section 2.4 hereof. There will be no extensions or renewal periods relating to the Development Schedule unless done so in writing. Upon

termination of this Agreement, Franchisee (and its affiliated entities) will no longer have the right to open future Outlets under the Development Schedule.

1.4 No Subfranchising Rights.
Neither Franchisee nor any of its affiliated entities has the right under this Agreement to execute subfranchised TEATOP franchise agreements with anyone.

II. DEVELOPMENT OBLIGATIONS

2.1 Development Obligations.

(a) Franchisee (or its affiliated entity) 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 TEATOP Franchisee.

(b) Any Outlet developed hereunder that is open and operating and which has been assigned to an affiliate of Franchisee, or to another TEATOP Franchisee, or to a third party 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 lease and Franchise Agreement for the Outlet and pay the balance of the Initial Franchise Fee 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 the avoidance of doubt, Franchisee's financial inability to perform or Franchisee's 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 Franchisee's development obligation for a scheduled additional Outlet solely as the result of a *Force Majeure* which 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 period during which the *Force Majeure* exists.

(c) In the event of the occurrence of 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 us with updates and all information as may be requested by Franchisor, 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 due to any conduct not due to Franchisor's gross negligence or intentional misfeasance.

2.4 Termination of Agreement and Limited Additional Development Rights.

(a) If Franchisee fails to open an additional Outlet in accordance with the Development Schedule, Franchisee will be in material default of this Agreement. The first time this happens, Franchisor will extend the time to open the additional Outlet (and all other additional Outlets under the Development Schedule) for 90 days. If after the 90-day extension, Franchisee is still in noncompliance with the Development Schedule, this Agreement may be immediately terminated by Franchisor upon written notice.

(b) Once Franchisee opens all additional Outlets specified in the Development Schedule, this Agreement becomes moot and unless a new Development Schedule is agreed to by the parties, this Agreement will automatically terminate. However, all rights under each Franchise Agreement that Franchisee (or its affiliated entity) executed for the additional Outlets remain in full force and effect. If Franchisee desires to engage in further development 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 its 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 is desirable, and if Franchisor agrees to allow Franchisee to develop additional Outlets, it will be subject to the conditions set forth in section 2.4(c) below. Otherwise, the development rights granted under this Agreement may not be extended.

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

(ii) Franchisee must have demonstrated to Franchisor Franchisee's financial capacity to perform the additional development obligations set forth in any restated or revised Development Schedule. In determining if Franchisee is financially capable, Franchisor will apply the same criteria to Franchisee as Franchisor apply to prospective TEATOP Area Development developers at that time.

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

III. FEES AND PAYMENTS

3.1 Territory Fee.

(a) When Franchisee signs this Agreement, Franchisee must pay Franchisor the sum of $____________ as a "Territory Fee" for Franchisor granting Franchisee the exclusive right to open ___ additional Outlets pursuant to the Development Schedule and within the Development Area.

(b) The Territory Fee is computed by multiplying the number of additional Outlets by $40,000 (for example, if Franchisee agrees to open 10 additional Outlets pursuant to this Agreement, the Territory Fee would be $400,000.

(c) If Franchisee (or its affiliated entity) does not successfully complete initial franchise training required by the first TEATOP Franchise Agreement Franchisee (or its affiliated entity) executes, Franchisor will refund the Territory Fee to Franchisee, less any expenses Franchisor incurred relating to this Agreement. **Otherwise, the Territory Fee is not refundable**.

3.2 Franchise Agreements for Additional Outlets.

(a) Each additional Outlet to be opened pursuant hereto 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 credit of $40,000 to be applied against the Initial Franchise Fee due under the Franchise Agreement for each additional Outlet opened under the Development Schedule, and Franchisee (or its affiliated entity) would then pay Franchisor any remaining balance of the Initial Franchise Fee due under that Franchise Agreement. For each additional Outlet opened by Franchisee in the Development Area after the Development Schedule has been satisfied, Franchisee will pay the full Initial Franchise Fee due under the Franchise Agreement for that additional Outlet.

(b) Franchisee (or its affiliated entity) must pay Franchisor a monthly "Royalty" of $400 for each Outlet that Franchisee (or its affiliated entity) opens and operates under this Agreement. The Management Fee is due and payable on the third business day of each month.

3.3 Performance Bond.
Franchisee (or its affiliated entity) must pay Franchisor a Performance Bond of $10,000 to $20,000 when any Franchise Agreement for an Outlet to be opened in the Development Area is signed. If Franchisee defaults in performance of any requirement under any Franchise Agreement for an Outlet to be opened in the Development Area, or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates, Franchisor may use the Performance Bond, or any portion of it, to cure the default or to compensate Franchisor for all damages or expenses Franchisor incurs because of Franchisee's default. Franchisor may also use the Performance Bond to pay any late charges, interest, penalties, and fees and any costs and charges due Franchisor for performing obligations that Franchisee does not perform, and which Franchisor is entitled to perform for Franchisee. If monies are owed, or become due, to Franchisor on or after termination or expiration of any Franchise Agreement for any reason, Franchisor may use all or any part of the Performance Bond to pay those sums.

3.4 Consumer Price Index Changes.
Any dollar amount stated in this Agreement may be adjusted by changes since the Effective Date 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.

IV. TRANSFER OR ASSIGNMENT

4.1 Assignment by Franchisor.

(a) Franchisor has executed this Agreement in reliance upon and in consideration of the singular 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.

(b) Franchisor may assign this Agreement in Franchisor's sole discretion and without Franchisee's consent, and Franchisee acknowledges that Franchisor is permitted to do so without liability or obligation to Franchisee, and Franchisee expressly and specifically waives any claims, demands or damages arising from or related to any such assignment.

4.2 Transfers from Franchisee to an Affiliated Entity.
Upon not less than 30 days' prior written notice to Franchisor, Franchisee may without Franchisor's consent assign and transfer this Agreement to an entity that is (i) organized to operate as a developer of 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. 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 one year after it is terminated or expires, Franchisee and each of its "Principal Equity Owners" (persons owning more than 20% of Franchisee) 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 of its Principal Equity Owners may establish a website or register an Internet domain name using, or otherwise advertise on the Internet or anywhere else, the trademark "TEATOP", or any combination or derivations thereof, or similar marks, or any other trademarks of ours, except as Franchisor specifically authorizes 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) entered into with Franchisor.

6.2 Operation of Opened Outlets after Termination or Expiration.
If Franchisor terminates this Agreement for the reasons described in section 6.1 above, Franchisee (or its affiliated entities) will be able to maintain ownership and operation of the Outlets which Franchisee has developed so long as Franchisee is not in material breach of the applicable Franchise Agreements; however, Franchisee 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 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, considering the overall best interests of the entire System, as contemplated by this Agreement. To that end, Franchisee and Franchisor acknowledge that Franchisee and Franchisor need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications 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 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 a view to arriving at settlement ("Settlement Conference"). If a party refuses to participate in the Settlement Conference or mediation within the respective time frames set forth in this section 7.1, the other party may immediately commence an arbitration proceeding pursuant to section 7.2 below.

(b) If the parties are unable to settle the Dispute at the Settlement Conference within 10 business days after the date this conference took place (or should have taken place), Franchisee and Franchisor may submit the Dispute to non-binding mediation in California conducted by a mediator, and at a location, mutually agreeable to both parties; provided however the mediator must be a franchise attorney who is a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. 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 7.2 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 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) not settled through the procedures described in section 7.1 above, or any determination of the scope or applicability of this agreement to arbitrate, 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 mutually agree, through binding arbitration by any other mutually agreeable 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 Orange County, California, or if Franchisor so elects, at another 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 (including affidavits, interrogatories and depositions). 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 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 and will remain in full force and effect after expiration or termination of this Agreement.

(g) The provisions of this section 7.2 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, 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.
Any 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 or other affiliated persons or entities, and Franchisor or Franchisor's 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 reasonable 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 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 must 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:

TEASTAR USA LLC
19 DEL CARLO
IRVINE, CA 92606-8823
Phone: 1-949-558-9799

(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 the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day.

(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 in person by an agent of the sending party.

IX. GENERAL TERMS AND PROVISIONS

9.1 Governing Law.
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 the 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.

9.2 Modification.
This Agreement cannot be modified or changed except by a written instrument 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, will constitute 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 under 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 the restrictions on any assignment by Franchisee contained herein, this Agreement is binding upon (i) Franchisor and inures to the benefit of its successors and assigns and (ii) Franchisee and inures to the benefit of its successors and assigns.

9.9 Counterparts.
This Agreement may be executed in any number of 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.
This Agreement contains all the terms and conditions agreed upon by Franchisee and Franchisor regarding the subject matter hereof, provided however, that nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the TEATOP franchise disclosure document that was provided to Franchisee. No statement, questionnaire, or acknowledgment signed or agreed to by 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 Franchisor. This provision supersedes any other term of this Agreement and any other document executed in connection with the TEATOP franchise.

This Agreement may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

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

FRANCHISEE:	FRANCHISOR:
______________________________	TEASTAR USA LLC
By: ______________________________	By: ______________________________ Kuo-Chen “David” Yang Chief Executive Officer
______________________________ [PRINTED NAME AND TITLE]	

EXHIBIT 1 - DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE

The initial Outlet (or Outlet 1) is to be opened and operated under the concurrently signed Franchise Agreement. A second and third additional Outlet (and any other additional Outlet committed to be open by Franchisee) must be opened at sites 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	
6	
7	
8	
9	
10	

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

TEATOP

FINANCIAL STATEMENTS

EXHIBIT B

TEASTAR USA LLC

dba TEA TOP

Independent Auditor's Report and
Financial Statements

December 31, 2024

SCHILD & CO., INC.
CERTIFIED PUBLIC ACCOUNTANTS

TEASTAR USA LLC

CONTENTS

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS
18426 Brookhurst St., Ste 205, Fountain Valley, CA 92708 – (714) 587-2477 Phone – (714) 587-2476 Fax

INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Teastar USA LLC

Opinion

We have audited the accompanying financial statements of Teastar USA LLC (a California Limited Liability Company) (the "Company"), which comprise the balance sheet as of December 31, 2024, and the related statement of income, changes in member's equity and cash flows for the year then ended, 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 Teastar USA LLC as of December 31, 2024 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 Teastar USA LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Teastar USA LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Teastar USA LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Teastar USA LLC's ability to continue as a going concern for a reasonable period of time.

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

Fountain Valley, California
May 8, 2025

TEASTAR USA LLC

Balance Sheet
December 31, 2024

ASSETS	
Current Assets	
Cash	$ 231,224
Total Current Assets	231,224
TOTAL ASSETS	**$ 231,224**
LIABILITIES AND MEMBER'S EQUITY	
Current liabilities	$ -
Total Current Liabilities	-
Member's Equity	
Member's Equity	231,224
Total member's equity	231,224
TOTAL LIABILITIES AND MEMBER'S EQUITY	**$ 231,224**

TEASTAR USA LLC

Statement of Income
For the Year Ended December 31, 2024

REVENUES	
Franchise fees	$ -
Royalty fees	13,200
Total revenues	13,200
Operating expenses:	
Legal and professional fees	25,794
Consulting	5,204
Office expenses	978
Total operating expenses	31,976
Income/(loss) before income taxes	(18,776)
Provision for Income taxes	-
NET INCOME (LOSS)	**$ (18,776)**

TEASTAR USA LLC

Statement of Changes in Member's Equity

For the Year Ended December 31, 2024

	Contributions	Retained Earnings	Total Member's Equity
Member's Equity, beginning	$ -	$ -	$ -
Member's Contributions	250,000	-	250,000
Net loss	-	(18,776)	(18,776)
Member's Equity, end of year	**$ 250,000**	**$ (18,776)**	**$ 231,224**

TEASTAR USA LLC

Statement of Cash Flows

For the Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(18,776)
Adjustments to reconcile net loss to		
net cash provided by (used for) operations:		-
Net cash provided (used) by operating activities		(18,776)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member's contributions		250,000
Net cash provided by financing activities		250,000
NET INCREASE IN CASH		**231,224**
CASH - beginning of year		**-**
CASH - end of year	**$**	**231,224**
SUPPLEMENTAL INFORMATION		
Cash paid for interest	**$**	**-**
Cash paid for taxes	**$**	**-**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Teastar USA LLC (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 – Teastar USA LLC (TUL) was organized in California on January 2, 2024, and maintains its corporate office in Irvine, California. The Company was organized for the purpose of franchising a retail establishment that sells items from a focused menu featuring a variety of teas and juice drinks, using proprietary teas, milk teas and juices, tapioca balls, recipes and preparation techniques.

On March 1, 2024, the Company entered into an Assignment and Assumption of Franchise Agreements by and between Teastar LLC (Original Franchisor) doing business as Teatop and Teastar USA LLC (New Franchisor) also doing business as Teatop. The Original Franchisor transferred to New Franchisor all rights, duties and obligations under the Franchise Agreements. New Franchisor expressly assumes and agrees to perform all obligations of franchisor under the Franchise Agreements.

TUL 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.

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 (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. The Company had no cash equivalents as of December 31, 2024.

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.

Income taxes – The Company is a wholly owned single member limited liability company which is a disregarded entity for U.S. federal and state income tax purposes. Accordingly, no provision for income taxes is made in the financial statements.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties, and interest as a result of challenge.

The Company's income tax filings are subject to examination by the taxing authorities until the expiration of the related statutes of limitation on those tax returns. In general, the federal and state income tax returns have a three-period statute of limitation.

Revenue recognition

The Company adopted Topic 606 "Revenue from Contracts with Customers" for revenue recognition related to contracts with customers. Under the new guidance, revenue is recognized in accordance with a five-step revenue model, as follows: (i) identifying the contract with the customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. In applying this five-step model, the Company made significant judgements in identifying the promised goods or services in their contracts with franchisees that are distinct, and which represent separate performance obligations, which is satisfied by providing a right to use our intellectual property over the estimated life of the franchise. The Company recognize initial and renewal franchise fees as revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods.

Royalties, including franchisee contributions to the marketing and promotion fee, are calculated as a percentage of franchise outlet sales over the term of the franchise agreement. Initial and renewal franchise fees are payable by the franchisee upon signing and prior to the outlet opening or at the time of a renewal of an existing franchise agreement. Royalties, inclusive of marketing and promotion fee contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchised sales occur.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue consists of sales of franchises and franchise royalties and is recognized as follows:

- ***Franchise fees*** – The Company collects initial franchise fees when franchise agreements are signed. The Company has determined that the initial franchise services are not distinct from the continuing franchise rights/license or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial franchise fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 2 years.

  Franchise fees, portions of which are collected in advance, are nonrefundable and are recognized in income ratably over the term of the related franchise agreement or recognized upon the termination of the agreement between the Company and the franchisee.

- ***Royalties*** – The Company collects royalties from franchisee based upon a percentage of franchise outlet gross sales and are recognized in the period the related franchised outlets' sales occur. Royalties earned at December 31, 2024 was $13,200.

NOTE 2 – FRANCHISE OPERATIONS

In general, the Company updates and/or revises franchise agreements on annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee of $40,000 for a single franchised unit/outlet and is paid in full at the time a franchise agreement is signed and is not refundable.

Under the current standard franchise agreement, each franchisee is required to pay a monthly royalty of $400. Each franchisee must fully participate with any gift card, customer loyalty, referral and other contests and promotions Franchisor arranges or requires TEATOP franchisees to participate in.

Before Franchisee signed the franchise agreement, a security deposit up to $20,000 must be paid 3 business days after the effective date. The security deposit becomes a "Performance Bond". If Franchisee defaults in performance of any requirement under the agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates. Franchisor may use the Performance Bond, or any portion of it, to cure the default, including without limitation damages Franchisor suffers because of Franchisee's purchase of unapproved materials or use of poor quality raw material in preparing and serving TEATOP products.

Franchisees are generally granted the right to operate a store/unit in a particular location, typically providing for a 2-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets are considered financial instruments. These assets 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, 2024.

NOTE 4 – SUBSEQUENT EVENTS

Date of management review – The Company evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events that occurred that require additional disclosure. Subsequent events have been evaluated through May 8, 2025, which is the date the financial statements were available to be issued.

SCHILD&CO.,INC.
CERTIFIED PUBLIC ACCOUNTANTS
18426 Brookhurst St., Ste 205, Fountain Valley, CA 92708 – (714) 587-2477 Phone – (714) 587-2476 Fax

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To Whom It May Concern:

Schild & Co., Inc. consents to the use in the Franchise Disclosure Document issued by Teastar USA LLC ("Franchisor") on May 8, 2025, as it may be amended, of our report dated May 8, 2025, relating to the financial statements of Franchisor for the period ended December 31, 2024.

Schild & Co. Inc.

Fountain Valley, California
May 8, 2025

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

TEASTAR USA LLC

BALANCE SHEET

Accrual Basis

As of September 30, 2025

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	215,058.97
Total Bank Accounts	**$215,058.97**
TOTAL ASSETS	**$215,058.97**
LIABILITIES AND EQUITY	
Current Liabilities	
Collection Payable	2,009.66
Total Current Liabilities	**$2,009.66**
Total Liabilities	**$2,009.66**
Equity	
Capital Stock	250,000.00
Accumulated Profit (Loss)	(18,776.49)
Net Income (or Loss)	(18,174.20)
Total Current Payable	**$213,049.31**
TOTAL LIABILITIES AND EQUITY	**$215,058.97**

TEASTAR USA LLC

INCOME STATEMENT

Accrual Basis

January through September2025

	TOTAL
ORDINARY INCOME/EXPENSES	
Income	
Royalty Fee Income	3,000.00
Total Income	**$3,000.00**
Expenses	
Service Fees	208.50
Commissions Expense	20,150.00
Mailing expense	15.70
Taxes	800.00
Total Expenses	**$21,174.20**
NET INCOME (LOSS)	**($18,174.20)**

TEATOP

LIST OF FRANCHISE OUTLETS

EXHIBIT C

LIST OF FRANCHISE OUTLETS

On December 31, 2024, the following franchise Outlets were open and operating:

STATE	CONTACT NAME	ADDRESS	PHONE NO.
CALIFORNIA	Chun H. Pan	82 Ranch Dr., Milpitas, CA 95035	408-941-9330
	Chun H. Pan	39269 Cedar Blvd., Newark, CA 94560	510-894-2832
	Chun H. Pan	6158 Bollinger Rd., San Jose, CA 95129	408-996-7899
GEORGIA	Jeffrey Cheung	6035 Peachtree Rd., Ste. A117, Doraville, GA 30360	678-813-5185
	Jeffrey Cheung	3446 Winder Hwy., Ste. 201, Flowery Branch, GA 30542	678-971-4923
MARYLAND	Yu Qing Li	10030 Baltimore National Pike, Ste. D160, Ellicott City, MD 21042	410-680-3988
TEXAS	Kenneth Hau	4070 State Highway 121, Ste. 408, Carrollton, TX 75010	469-289-0420
	Kenneth Hau	9889 Bellaire Blvd., Ste. E203A, Houston, TX 77036	281-501-1381
	Kenneth Hau	23119 Colonial Pkwy., Ste. C7, Katy, TX 77449	832-437-8786

As of December 31, 2024, no franchisee had signed a franchise agreement but not yet opened its Outlet.

TEATOP

LIST OF TERMINATED FRANCHISES

EXHIBIT D

LIST OF TERMINATED FRANCHISES

In 2024, no franchisees had an Outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement.

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

TEATOP

STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT E

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 Financial Protection and Innovation,
Dept. of Financial Protection and Innovation
651 Bannon St., Ste. 300
Sacramento, CA 95811
(866) 275-2677

Hawaii:
Business Registration Division
Dept. of Commerce and Consumer Affairs
335 Merchant St., Rm. 203
Honolulu, HI 96813
(808) 586-2722

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

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

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

Michigan:
Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Bldg., 1st Flr.
525 W. Ottawa St.
Lansing, MI 48933
(517) 373-7117

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

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

North Dakota:
Franchise Examiner
North Dakota Securities Department
600 E. Boulevard Ave.
State Capitol, 5th. Flr., Dept. 414
Bismarck, ND 58505
(701) 328-4712

Rhode Island:
Securities Division
Dept. 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
(605) 773-3563

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

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

Wisconsin:
Franchise Administrator
Division of Securities
345 W. Washington Ave.
Madison, WI 53703
(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:
Commissioner of Financial Protection and Innovation,
Dept. of Financial Protection and Innovation
651 Bannon St., Ste. 300
Sacramento, CA 95811
(866) 275-2677

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:
Secretary of State
99 Washington Ave.
Albany, NY 12231
(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 Dept. 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
(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
345 W. Washington Ave.
Madison, WI 53703
(608) 261-9555

TEATOP

STATE SPECIFIC ADDENDA

EXHIBIT F

CALIFORNIA

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR CALIFORNIA FRANCHISEES

1. California Business and Professions Code sections 20000 through 20043 (the "Act") provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act 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. §101 *et seq.*)

3. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California Law.

4. The agreements contain a liquidated damage clause, under Civil Code, Section 1671, certain liquidated damage clauses are enforceable.

5. The Franchise Agreement requires binding arbitration. The arbitration will occur in Orange County, California with the costs being borne equally by both parties. 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 provision of a franchise agreement that restricts venue to a forum outside of California.

6. It is unlawful to sell any franchise in this state that is subject to registration under the California Franchise Investment Law without first providing to the prospective franchisee, at least 14 days prior to the execution by the prospective franchisee of any binding franchise agreement (or other agreement), or at least 14 days prior to the receipt of any consideration, whichever occurs first, a copy of the franchise disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise.

7. Section 31125 of the California Corporations Code requires the franchisor to give you a disclosure document, in a form and containing information that the Commissioner of Financial Protection and Innovation may by rule or order require, before solicitation of a proposed material modification of an existing franchise.

8. The Franchise Agreement requires you to execute a general release of claims upon transfer of the Franchise Agreement. California Corporations Code section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids any waiver of your rights under the Franchise Investment Law (Corporations Code §§31000-31516). Business and Professions Code section 20010 voids any waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000-20043).

9. Our website (www.sperrycga.com) 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.

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

11. The Initial Franchise Fee will not be due and payable in full until the franchisor has completed all its pre-opening obligations to you under the Franchise Agreement and you open and begin operating the franchised outlet.

12. 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.

13. Both the Governing Law and Choice of Law for Franchisees operating outlets located in California, will be the California Franchise Investment Law and the California Franchise Relations Act regardless of the choice

of law or dispute resolution venue stated elsewhere. Any language in the franchise agreement or amendment to or any agreement to the contrary is superseded by this condition.

14. 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 the California Franchise Investment Law.

CALIFORNIA

ADDENDUM TO FRANCHISE AGREEMENT FOR CALIFORNIA FRANCHISEES

The Franchise Agreement is amended or clarified as follows:

1. The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and the franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

2. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

3. In sections 13.1 and 13.3, “30 days” is amended to “60 days”.

4. Under California law, Franchisor has the obligation under certain conditions to purchase assets of Franchisee’s business if Franchisee does not continue to operate a real estate brokerage business at your location after the Franchise Agreement is terminated or not renewed.

5. No statement, questionnaire, or acknowledgement 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.

6. Both the Governing Law and Choice of Law for Franchisees operating outlets located in California, will be the California Franchise Investment Law and the California Franchise Relations Act regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the franchise agreement or amendment to or any agreement to the contrary is superseded by this condition.

7. Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Franchise Investment Law (Corporations Code §§31000-31516), or the Franchise Relations Act (Business and Professions Code §§20000-20043), or any rule or order is void.

8. Any provision of the franchise agreement, 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 the California Franchise Investment Law.

Date: ____________________	Date: ____________________
FRANCHISEE:	FRANCHISOR:
________________________________	TEASTAR USA LLC
By: ______________________________	By: ______________________________ Kuo-Chen “David” Yang Chief Executive Officer
______________________________ [PRINTED NAME AND TITLE]	

MARYLAND

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR MARYLAND FRANCHISEES

The Maryland Division of Securities requires the following specific disclosures to be made to prospective Maryland franchisees:

1. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens. Item 5 of the disclosure document is amended accordingly.

2. Any general release required as a condition of renewal, sale, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law and Item 17 of the disclosure document is amended accordingly.

3. Termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C Section 101 et seq.)

4. Any limitation on the period of time arbitration and/or litigation claims must be brought will not act to reduce the 3-year statute of limitations afforded you to bring a claim arising under the Maryland Franchise Registration and Disclosure Law, and Item 17 of the disclosure document is amended accordingly.

5. A franchisee may bring lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, and Item 17 of the disclosure document is amended accordingly.

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

7. 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.

MARYLAND

ADDENDUM TO FRANCHISE AGREEMENT
FOR MARYLAND FRANCHISEES

The Franchise Agreement is amended as follows:

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

2. Article XIV of this Franchise Agreement is amended to provide that a franchisee may sue in Maryland for claims arising under the Maryland Franchise Regulation and Disclosure Law. Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

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

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

5. 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.

Date: ____________________	Date: ____________________
FRANCHISEE: _______________________________________	FRANCHISOR: TEASTAR USA LLC
By: ___________________________________	By: ___________________________________ Kuo-Chen "David" Yang
Its: ___________________________________	Its: Chief Executive Officer

MARYLAND

ADDENDUM TO AREA DEVELOPMENT AGREEMENT FOR MARYLAND FRANCHISEES

The Area Development Agreement is amended as follows:

1. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. Article VII of this Area Development Agreement is amended to provide that a franchisee may sue in Maryland for claims arising under the Maryland Franchise Regulation and Disclosure Law. Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

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

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

5. 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.

Date: ____________________	Date: ____________________
FRANCHISEE: ______________________________________	FRANCHISOR: TEASTAR USA LLC
By: __________________________________	By: __________________________________ Kuo-Chen "David" Yang
Its: __________________________________	Its: Chief Executive Officer

NEW YORK

NEW YORK STATE ADDENDUM TO FDD

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 E OR YOUR PUBLIC LIBRARY FOR RESOURCES 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 CANNOT 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:

Except as provided 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, that is 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 ten years 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 a 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; this proviso intends 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 a 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 Acknowledgments -- 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 earliest 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.

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STATE EFFECTIVE DATES

EXHIBIT G

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	August 21, 2025
Maryland	Juily 28, 2025
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.

TEATOP

RECEIPTS

EXHIBIT H

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 Teastar USA LLC 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 a 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 Teastar USA LLC 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 appropriate state agency listed in Exhibit E.

We use SmarTea USA Inc., 47432 Fremont Boulevard, Fremont, California 94538, telephone (510) 520-8688 as our authorized franchise broker in California. The name, address and telephone number of the franchise seller for this offering is either Kuo-Chen ("David") Yang, 19 Del Carlo, Irvine, California 92606, telephone (949) 558-9799; or Chun H. Pan, 47432 Fremont Boulevard, Fremont, California 94538, telephone (510) 520-8688.

Date of Issuance: May 8, 2025.

Teastar USA LLC authorizes the person identified in Item 1 to receive service of process for it in your state. I received a disclosure document dated May 8, 2025, that included the following Exhibits:

"A-1" 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
"A-2" Area Development Agreement
Exhibits to Area Development Agreement:
Exhibit 1: Development Area and Development Schedule
"B" Financial Statements
"C" List of Franchise Outlets
"D" List of Terminated Franchises
"E" State Franchise Administrators and Agents for Service of Process
"F" State Specific Addenda
"G" State Effective Dates
"H" Receipts

DATED: ____________________________
(Do not leave blank)

If a business entity:

____
(Name of Business Entity)

____
(Signature of Primary Contact Owner)

____
(Print Name and Title)

If an individual:

____
(Signature of Prospective Franchisee)

____
(Print Name)

Please date and sign this page and then keep it for your records

RECEIPT

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DATED: ____________________________
(Do not leave blank)

If a business entity:

____
(Name of Business Entity)

____
(Signature of Primary Contact Owner)

____
(Print Name and Title)

If an individual:

____
(Signature of Prospective Franchisee)

____
(Print Name)

Please date and sign this page and then return it by first class mail to Teastar USA LLC, 19 Del Carlo, Irvine, California 92606-8823; or by e-mail to teatalk123@yahoo.com.tw.